JLBC Analyst: Stefan Shepherd

		FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET					
Full Time Equivalent Positions	(GF)	31.7	31.7	28.0	28.0
	(TF)	735.2	735.2	732.2 1/2/3/	732.2 1/2/3/
Personal Services	(GF)	1,327,900	1,218,500	1,108,200	1,163,000
	(TF)	14,955,900	16,732,900	16,968,300	17,821,200
Employee Related Expenditures	(GF)	107,500	252,400	246,000	241,000
	(TF)	3,636,400	4,000,500	4,626,500	4,278,900
Professional and Outside Services	(GF)	1,623,000	2,006,100	1,981,900	1,981,900
	(TF)	6,432,400	6,333,000	6,408,100	6,440,100
Travel - In State	(GF)	8,700	33,000	33,000	33,000
	(TF)	79,200	97,800	101,300	101,300
Other Operating Expenditures	(GF)	956,700	943,700	931,300	931,300
	(TF)	2,856,500	3,082,000	3,101,700	3,101,700
Equipment	(GF)	107,600	0	0	0
	(TF)	439,800	0	55,200	0
Operating Subtotal	(GF)	4,131,400	4,453,700	4,300,400	4,350,200
	(TF)	28,400,200	30,246,200	31,261,100 3/	31,743,200 3/
Genetic Testing	(GF)	32,400	72,400	72,400	72,400
	(TF)	286,300	723,600	723,600	723,600
Central Payment Processing	(GF)	481,200	444,700	444,700	444,700
	(TF)	2,607,100	1,946,900	3,088,600	3,275,700
County Participation	(GF)	0	0	0	0
	(TF)	7,701,600	12,769,500	10,066,300	10,598,900
Attorney General Legal Services	(GF)	43,700	58,800	59,500	60,200
	(TF)	4,873,000	5,029,400	5,262,200	5,418,300
SUBTOTAL	**(GF)**	**4,688,700**	**5,029,600**	**4,877,000**	**4,927,500**
	(TF)	**43,868,200**	**50,715,600**	**50,401,800**	**51,759,700**
Additional Appropriations -					
Child Support Enforcement; DES; Appropriation, Ch. 386		0	0	0	755,100 4/
TOTAL APPROPRIATIONS	**(GF)**	**4,688,700**	**5,029,600**	**4,877,000**	**5,682,600**
	(TF)	**43,868,200**	**50,715,600**	**50,401,800** 5/	**52,514,800** 5/
FUND SOURCES					
General Fund		4,688,700	5,029,600	4,877,000	5,682,600
Other Appropriated Funds					
Child Support Enforcement Administration Fund		9,084,400	9,313,500	11,360,500	11,841,600
Subtotal - Other Appropriated Funds		9,084,400	9,313,500	11,360,500	11,841,600
Federal Funds		30,095,100	36,372,500	34,164,300	34,990,600
TOTAL APPROPRIATIONS		**43,868,200**	**50,715,600**	**50,401,800**	**52,514,800**

COST CENTER DESCRIPTION — *The Division of Child Support Enforcement (DCSE) program provides intake services; locates absent parents; assists in establishing paternity; establishes the legal obligation for the amount of child support payments; and evaluates the absent parent's ability to pay. The program also collects, enforces, investigates and works with the courts to review and adjust child support orders. In addition, the program, through a contract with a private vendor, operates a central payment clearinghouse for all child support payments in the state, including those enforced by private parties.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Number of IV-D cases	296,300/268,400	255,000/243,300	233,300	228,300/225,300
• Total IV-D collections ($ in millions)	171.5/189.2	208.0/214.9	235.0	258.0/284.0
• % of IV-D caseload with a IV-D collection	NA/27.9	NA/34.5	39.5	44.4/49.5
• Ratio of current IV-D support collected and distributed to current IV-D support due	NA/42.2	NA/44.2	45.2	47.2/49.2
• % of IV-D court ordered cases with a collection during the year	NA/61.9	NA/63.7	65.9	69.4/72.8
• % of IV-D children in the paternity function for whom paternity was established during the year	NA/8.0	NA/12.4	17.4	20.2/22.8
• % of cases in the establishment function for which orders were established during the year	NA/16.1	NA/20.6	25.1	29.5/31.0

Total Funds Expenditure Authority — The division's budget is appropriated on a Total Funds (TF) expenditure authority basis. In addition to the General Fund (GF), the division receives other appropriated funds from several sources:

- State Share of Retained Earnings (SSRE): comes from child support owed to the state while the custodial parent received Temporary Assistance for Needy Families (TANF) Cash Benefits.
- Federal Incentive Payments: associated with the division's performance on a series of federally-set performance measures.
- Fees: paid by non-custodial parents for posting payments to the central payment clearinghouse.

Revenues from these 3 streams are deposited into the Child Support Enforcement Administration (CSEA) Fund.

The GF and Other Funds (OF) appropriations are matched by federal grants totaling $34,164,300 in FY 2002 and $34,990,600 in FY 2003. In general, the federal government matches every $0.34 of state funds with $0.66 of federal monies.

The TF expenditure authority does not include funds passed through to the Division of Administration. SSRE and incentives expended in the Division of Administration for overhead and pooled costs are estimated at $2,858,600 in FY 2002 and $2,915,100 in FY 2003. If the division collects more SSRE and earns more federal incentives than assumed in the appropriation, all amounts over these estimates are appropriated to the operating budget. *(Please see footnote 3 for further details.)*

Table 1 details the sources and uses of the CSEA Fund:

Table 1

CSEA Fund	FY 2002	FY 2003
Sources		
State Share of Retained Earnings	$ 9,718,800	$10,239,900
Federal Incentive Payments	4,330,200	4,416,800
Fees	808,200	856,500
Total	**$14,857,200**	**$15,513,200**
Uses		
DCSE Administration	$ 11,360,500	$11,841,600
Administration	3,496,700	3,671,600
Total	**$14,857,200**	**$15,513,200**

ATLAS FTE Transfer — The approved amount includes a decrease of $(213,200) GF and $(627,000) TF in both FY 2002 and FY 2003 from FY 2001 associated with transferring Information Technology (IT) personnel working on the division's Arizona Tracking and Location

1/ The Child Support Enforcement Administration Fund contains State Share of Retained Earnings (SSRE) from child support collections, federal incentives, and fees, as outlined in A.R.S. § 46-406. The following chart displays the Total Funds Expenditures Authority (TF) of this division, not including monies expended in the Administration cost center.

2/ Includes 37.7 OF and 111 TF FTE Positions funded from Special line Items in FY 2002 and FY 2003.

3/ All state share of retained earnings and federal incentives above $10,552,300 in FY 2002 and $10,985,100 in FY 2003 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. The Division of Child Support Enforcement shall report the intended use of the monies to the Speaker of the House of Representatives, the President of the Senate, the Chairmen of the Senate and House Appropriations Committees and the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. (General Appropriation Act footnote, as adjusted for statewide salary and other allocations)

4/ Pursuant to Laws 2001, Chapter 386, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

Automation System (ATLAS) to the Division of Administration. The amount also includes a FY 2002 and FY 2003 decrease of (3.7) GF and (11) TF FTE Positions.

Increased Central Payment Processing Costs — The approved FY 2002 and FY 2003 amounts include additional staff to help process undeliverable checks, researching unidentified payments, and seeking reimbursement for non-sufficient funds (NSF) checks. The approved amounts include a FY 2002 increase of $124,700 OF and $367,900 TF and 8 FTE Positions above FY 2001 and a FY 2003 increase of $106,100 OF and $312,700 TF and 8 FTE Positions above FY 2001. The FY 2003 increase is lower due to the elimination of one-time equipment. *(Please see the **Central Payment Processing** discussion below for further information on increases in that line item.)*

Special Line Items

Genetic Testing — This line item funds DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. The approved FY 2002 and FY 2003 amounts, $72,400 GF and $723,600 TF, remain unchanged from FY 2001. The division currently receives an enhanced match rate of 90% from the federal government to fund these genetic tests. The division attempts to collect testing costs from persons legally determined to be the father; recovered testing costs are reimbursed 90% to the federal government.

Central Payment Processing — This line item funds administration of the central payment clearinghouse through which all child support payments in the state are directed. The line item primarily funds 2 areas: vendor payments for processing non-Title-IV-D case payments and "misapplied" expenditures. Non-Title-IV-D cases are enforced by private parties, not by the department. "Misapplied" expenditures are losses due to NSF checks, custodial parent overpayments, and forgery and fraud. These losses are the department's responsibility; the department must pay for these losses with no federal match.

The approved FY 2002 amount is $444,700 GF, $1,477,200 OF, and $3,088,600 TF. It reflects an increase of $883,200 OF and $1,141,700 TF above FY 2001. The approved FY 2003 amount is $444,700 GF, $1,573,800 OF, and $3,275,700 TF. It reflects an increase of $979,800 OF and $1,328,800 TF above FY 2001.

- Vendor Charges: Includes a FY 2002 increase of $133,200 OF and $391,700 TF above FY 2001 and a FY 2003 increase of $179,800 OF and $528,800 TF above FY 2001 for increased caseloads and increased per-case payments to the clearinghouse vendor.
- "Misapplied" Expenditures: Includes a FY 2002 increase of $750,000 OF and $750,000 TF above FY 2001 and a FY 2003 increase of $800,000 OF and $800,000 TF above FY 2001 to reflect expected misapplied payment losses.

*(Please see the **Increased Central Payment Processing Costs** discussion above for further details on additional funding for clearinghouse-related costs.)*

County Participation — The division contracts with several Arizona counties to operate child support programs in those counties. As a result, SSRE and federal incentives are passed through to those counties, along with the 66% federal match, which matches SSRE and incentive pass-through monies as well as county appropriations. Federal regulations require the division to pass through federal incentives to contracting counties; the division also passes 50% of all SSRE earned over the FY 1990 collection base amount to these counties.

This line item reflects contracting counties' SSRE and federal incentives as well as expenditure authority for the federal match. The approved amounts, $10,066,300 TF in FY 2002 and $10,598,900 TF in FY 2003, reflect changes associated with 2 separate issues:

- Excess Federal Appropriation Authority: The approved FY 2002 and FY 2003 amounts reflect a decrease of $(3,770,500) TF expenditure authority in both FY 2002 and FY 2003 from FY 2001. Prior year appropriations of federal expenditure authority exceeded actual expenditures by more than $4,000,000, which makes this decrease possible.
- Program Growth: The approved amounts reflect a FY 2002 increase of $677,300 OF and $1,067,300 TF above FY 2001 and a FY 2003 increase of $800,400 OF and $1,599,900 TF above FY 2001 associated with expected CSEA revenues from SSRE and incentives.

In addition to this appropriation, Laws 2001, Chapter 386 will pass through $755,133 GF to 6 counties in FY 2003 to help pay for county child support operations. *(Please see the **Additional Appropriations** and **Vetoed Appropriations** sections below for further details.)* Total funding for county participation is listed in *Table 2* below.

Table 2

Funding Source	FY 2002	FY 2003
SSRE/Federal Incentives	$ 1,877,300	$2,000,400
Federal Matching Monies	8,189,000	8,598,500
Total County Participation	10,066,300	10,598,900
County Appropriations (est.)	2,304,200	2,390,200
Laws 2001, Chapter 386	0	755,100
Total County Funding	**$12,370,500**	**$13,744,200**

Table 3 outlines which entities operate the child support program in each of Arizona's counties.

Table 3	
County	**Title IV-D Enforcement**
Apache	DCSE
Cochise	County Attorney
Coconino	DCSE/Family Law Commissioner
Gila	County Attorney/Family Law Commissioner
Graham	DCSE/Clerk of the Court
Greenlee	DCSE/Clerk of the Court
La Paz	County Attorney
Maricopa	DCSE/Family Law Commissioner/Clerk of the Court
Mohave	DCSE
Navajo	County Attorney/Family Law Commissioner
Pima	County Attorney/Family Law Commissioner/Clerk of the Court
Pinal	County Attorney/ Family Law Commissioner/Clerk of the Court
Santa Cruz	DCSE – privatized/Family Law Commissioner
Yavapai	DCSE – privatized/Family Law Commissioner
Yuma	DCSE/Family Law Commissioner/Clerk of the Court

Attorney General Legal Services — Monies in this line item are used to contract for Attorney General representation. The approved FY 2002 amount includes $59,500 GF, $1,713,700 OF, and $5,262,700 TF; the approved FY 2003 amount includes $60,200 GF, $1,779,700 OF, and $5,418,300 TF. This line item includes 111 FTE Positions, 37.7 of which are funded from Other Funds.

Additional Appropriations: Child Support Enforcement; DES; Appropriations (Chapter 386) — Chapter 386 appropriates $755,133 from the General Fund in FY 2003 for distribution to county attorney's offices in the 6 counties that operate their own child support programs on behalf of the state. The monies are to be distributed in the following amounts.

Table 4	
County	**Amount**
Pima	$450,276
Pinal	169,939
Gila	40,348
Cochise	43,057
Navajo	22,203
La Paz	29,310
TOTAL	**$755,133**

The bill as passed by the Legislature also contained an identical appropriation to the counties for FY 2002. This FY 2002 appropriation was line item vetoed by the Governor. *(For further details on the state's relationship with county child support enforcement offices, please see the **County Participation** discussion above.)*

Vetoed Appropriations: Social Assistance Programs; Appropriations (Chapter 345) — The Governor line item vetoed the $212,000 GF appropriation in FY 2002 to the division for distribution to the Hopi office of child support. These monies would have funded the start-up and operational costs of this newly-created office.

Child Support Enforcement; DES; Appropriations (Chapter 386) — The Governor line item vetoed the $755,133 GF appropriation to the division for distribution to county attorney's offices for FY 2002. *(See **Additional Appropriations** for more information on this bill.)*

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