

**DEPARTMENT OF ECONOMIC SECURITY -
CHILD SUPPORT ENFORCEMENT**

A.R.S. § 41-1951

General Fund and Child Support Enforcement Administration Fund ^{1/}		FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	(GF)	0.0	2.0	31.7	31.7
	(TF)	716.2	721.2	735.2 ^{2/3/}	735.2 ^{2/3/}
Personal Services	(GF)	0	66,400	852,700	869,800
	(TF)	16,412,600	14,505,900	15,399,500	15,707,500
Employee Related Expenditures	(GF)	0	14,100	199,500	207,900
	(TF)	3,968,300	3,489,500	3,705,800	3,869,500
Professional and Outside Services	(GF)	310,000	521,000	2,021,300	2,006,100
	(TF)	3,790,200	4,741,500	6,377,600	6,333,000
Travel - In State	(GF)	33,300	32,700	32,700	32,700
	(TF)	98,000	97,500	97,500	97,500
Other Operating Expenditures	(GF)	661,700	915,000	950,400	943,700
	(TF)	2,971,400	3,011,100	3,101,500	3,081,400
Equipment	(GF)	208,700	0	0	0
	(TF)	621,800	10,600	0	0
Operating Subtotal	(GF)	1,213,700	1,549,200	4,056,600	4,060,200
	(TF)	27,862,300	25,856,100	28,681,900 ^{3/}	29,088,900 ^{3/}
Automation Lease-Purchase	(GF)	18,600	78,600	0	0
	(TF)	24,100	88,500	0	0
Phase II Maintenance	(GF)	408,000	523,600	0	0
	(TF)	1,199,900	1,540,000	0	0
Genetic Testing	(GF)	27,500	72,400	72,400	72,400
	(TF)	274,500	723,600	723,600	723,600
Central Payment Processing	(GF)	175,900	415,300	481,200	444,700
	(TF)	733,800	1,869,800	1,972,600	1,946,900
Chapter 300 Paternity Establishment	(GF)	40,000	200,000	0	0
	(TF)	117,800	588,200	0	0
County Participation	(GF)	0	0	0	0
	(TF)	7,482,700	13,078,000	12,769,500	12,769,500
Attorney General Legal Services	(GF)	0	43,700	43,700	43,700
	(TF)	0	4,826,500	4,867,800	4,984,800
Total Appropriations	(GF)	1,883,700	2,882,800	4,653,900	4,621,000
	(TF)	37,695,100	48,570,700	49,015,400 ^{4/}	49,513,700 ^{4/}
Fund Summary					
General Fund		1,883,700	2,882,800	4,653,900	4,621,000
Child Support Enforcement Administration Fund		9,437,900	10,777,700	9,135,400	9,313,500
Federal Funds		26,373,500	34,910,200	35,226,100	35,579,200
Total Appropriations		37,695,100	48,570,700	49,015,400	49,513,700

Program 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.*

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Total Funds Expenditure Authority — The division’s budget is appropriated on a Total Funds (TF) expenditure authority basis. In addition to the General Fund, 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 are associated with the level of child support collections. Non-custodial parents pay fees 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 OF appropriations are matched by federal dollars totaling \$35,226,100 in FY 2000 and \$35,579,200 in FY 2001. 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 2000 and \$2,915,100 in FY 2001. 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 below for further details.)*

The table below details the sources and uses of the CSEA Fund:

<u>CSEA Fund</u>	<u>FY 2000</u>	<u>FY 2001</u>
<i>Sources</i>		
State Share of Retained Earnings	\$ 7,506,000	\$ 7,506,000
Earnings/Incentives	3,861,500	3,965,500
Fees	<u>626,500</u>	<u>757,100</u>
Total	\$11,994,000	\$12,228,600
<i>Uses</i>		
DCSE	9,135,400	9,313,500
Administration	<u>2,858,600</u>	<u>2,915,100</u>
Total	\$11,994,000	\$12,228,600

Technical Issues — The approved FY 2000 amount includes a reduction of \$(4,500) OF and \$(13,200) TF for one-time equipment expenditures. The approved FY 2001 amount includes a further reduction of \$(6,700) GF and

\$(20,100) TF for additional one-time equipment expenditures.

SSRE/Incentives Funding Shortfall — The approved FY 2000 amount includes an increase of \$1,684,300 GF and a decrease of \$(1,684,300) OF associated with a decline in SSRE and federal incentives received by the division. The approved FY 2000 amount also includes a shift of 25 FTE Positions from OF to GF. These shifts are continued in FY 2001.

This decline in SSRE and federal incentives is largely due to the decrease in TANF Cash Benefits caseloads. Because SSRE is based on the amount of child support collected on behalf of clients receiving TANF Cash Benefits, SSRE collections have declined along with caseloads. Federal incentive payments are also based partially on TANF-related collections, which means that incentive payments have also declined. In addition, federal and state law changes have now placed the state “last in line” when collecting arrearages - the custodial parent will now receive all of his or her past-due child support before the state receives any of the support.

State Directory of New Hires — The approved FY 2000 amount includes an increase of \$152,300 GF and \$447,900 TF in Professional and Outside Services for annualization of and increased costs for the State Directory of New Hires. In FY 2001, this amount is reduced by \$(15,200) GF and \$(44,600) TF for a small decrease in expected contract costs.

ATLAS Maintenance Employees — The approved FY 2000 and FY 2001 amounts include a decrease of \$(106,600) GF and \$(313,000) TF and an increase of 11 FTE Positions associated with bringing additional contracted employees for Phase II Maintenance of the Arizona Tracking and Locate Automated System (ATLAS) into state service beginning in FY 2000. Of the monies remaining for Phase II Maintenance after the \$(313,000) TF reduction, \$627,000 will fund 11 new FTE Positions in the operating budget and \$600,000 will be shifted to Professional and Outside Services. A total of \$1,479,000 TF will fund Phase II maintenance issues in the operating budget. The Phase II Maintenance line item has been eliminated.

1/ Includes 37.7 OF and 111 TF FTE Positions funded from Special line Items in FY 2000 and FY 2001.
 2/ 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 Expenditures Authority (TF) of this division, not including monies expended in the Administration cost center.
 3/ All state share of retained earnings and federal incentives above \$8,508,900 in FY 2000 and \$8,556,400 in FY 2001 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)
 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

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Additional Expenditure Authority — The approved FY 2000 and FY 2001 amounts include additional expenditure authority for activities previously counted outside of the division’s expenditure authority. These monies, totaling \$295,200 in FY 2000 and FY 2001, are included in the FY 1999 column although they were not included in the expenditure authority. The monies, which come from the federal government, will be spent on Access and Visitation programs and Navajo Nation programs.

Automation Lease-Purchase — Monies in this line item were used for the division’s lease-purchase interest payment for previously purchased automation equipment, most of which was not eligible for federal matching funds. The approved FY 2000 and FY 2001 amounts include a reduction of \$(70,300) GF and \$(74,100) TF associated with lower than expected payments in the line item beginning in FY 2000. The remaining \$8,300 GF and \$14,400 TF was transferred to the operating budget for the same purpose and the line item was eliminated.

Genetic Testing — Monies in this line item fund DNA testing and blood testing for the estimated 50% of child support cases subject to the establishment of paternity through testing. The approved FY 2000 and FY 2001 amounts, \$72,400 GF and \$723,600 TF, remain unchanged from FY 1999. 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. In FY 1998, the division recovered a total of \$88,901 of the genetic testing debts, an increase of \$7,472, or 9.2%, from FY 1997. DNA testing costs an average of \$55 per individual; blood tests cost an average of \$65 per individual.

Central Payment Processing — The approved FY 2000 amount includes an increase of \$105,700 GF and \$219,700 TF and 3 FTE Positions associated with annualization of and changing caseloads in processing child support payments in non-Title-IV-D cases. Non-Title-IV-D cases are those cases for which the division does not perform establishment and enforcement. The increase has the following components:

- \$116,900 and 3 TF FTE Positions for accounting staff
- \$237,100 TF for full-year funding for the vendor operating the central payment clearinghouse
- \$30,000 TF to pay for first-time non-sufficient funds payments
- \$(164,300) TF for one-time FY 1999 appropriations in Laws 1997, Chapter 219

In FY 2001, this amount is reduced by \$(36,500) GF and \$(25,700) TF for a small decrease in the amount of payments to be processed and an increase in the number of payments eligible for federal matching funds. In addition, the name of this line item has been changed from Chapter 219 Central Payment Processing.

Chapter 300 Paternity Establishment — Monies in this line item were used to expand and enhance paternity establishment efforts through private sector involvement. The efforts include an assessment of the division’s current Hospital Paternity Program, hiring private paralegals to review cases, and using process servers to help locate alleged fathers. The approved FY 2000 and FY 2001 amounts, \$200,000 GF and \$588,200 TF, unchanged from FY 1999, were transferred to the operating budget for the same purpose. The line item was eliminated.

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 these counties, along with the 66% federal match, which matches SSRE and incentive pass-through monies as well as county appropriations. Federal regulation requires 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 FY 2000 and FY 2001 amounts, \$1,200,000 OF and \$12,769,500 TF, reflect a \$(109,400) OF and \$(308,500) TF decrease beginning in FY 2000. This decrease is a result of declining SSRE and federal incentive revenues earned by the counties. In addition to these amounts, contracting counties also appropriate their own funds to operate the programs; these county appropriations, however, are not included in the line item. Total funding for county participation is listed in the table below.

Funding Source	FY 2000	FY 2001
SSRE/Federal incentives	\$ 1,200,000	\$ 1,200,000
Federal matching monies	<u>11,569,500</u>	<u>11,569,500</u>
Total County Participation	12,769,500	12,769,500
County appropriations (est.)	<u>4,653,300</u>	<u>4,653,300</u>
Total County Funding	\$17,422,800	\$17,422,800

The table on the next page outlines which entities operate the child support program in each of Arizona’s counties.

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County	Title IV-D Enforcement
Apache	DCSE
Cochise	County Attorney
Coconino	DCSE
Gila	County Attorney/Family Law Commissioner
Graham	DCSE
Greenlee	DCSE
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
Pinal	County Attorney/Clerk of the Court/Family Law Commissioner
Santa Cruz	DCSE – privatized
Yavapai	DCSE – privatized/Family Law Commissioner
Yuma	DCSE

Attorney General Legal Services — Monies in this line item are used to contract for Attorney General representation. The approved FY 2000 amount includes \$43,700 GF, \$1,611,100 OF, and \$4,867,800 TF; the approved FY 2001 amount includes \$43,700 GF, \$1,650,600 OF, and \$4,984,800 TF. This line item includes 111 FTE Positions, 37.7 of which are funded from Other Funds.