Colusa, Sutter and Yolo Regional Child Support Agency Leadership Advisory Committee

To: RCSA Leadership Advisory Committee

From: Amanda Battles, Assistant Director

Subject: Financial Update (Agenda Item #7)

Date: May 1, 2024

SFY 2023-24 Financial Update

We anticipate that the Regional Agency will come in under budget for FY 2023-24. FY 2023-24 was the first year that we budgeted to our Federal Performance Incentive Funding (FPIF), allowing us to budget $250,000 higher than our allocation. As discussed in our April 2023 Financial update, budgeting this way allowed us to maintain 66 FTEs for 2023-24 but we anticipated that it might be likely that we would not need to use our FPIF with sufficient salary savings. Current projections indicate that we will fully spend our regular allocation but come in under budget by approximately $250,000, allowing us to re-budget to our FPIF in FY 2024-25.

In FY 2023-24 we have had some impactful changes to financial operations. Yolo County implemented a new financial system and our Business Services Manager over finance retired in July of 2023. We underfilled that position with a Business Services Supervisor. We have experienced some long-term absences in key financial positions. We are currently going through a change with Sutter County as they transition to a new financial platform as well. We have great people working with our agency. We continue to modify our processes to align with new ways of doing business.

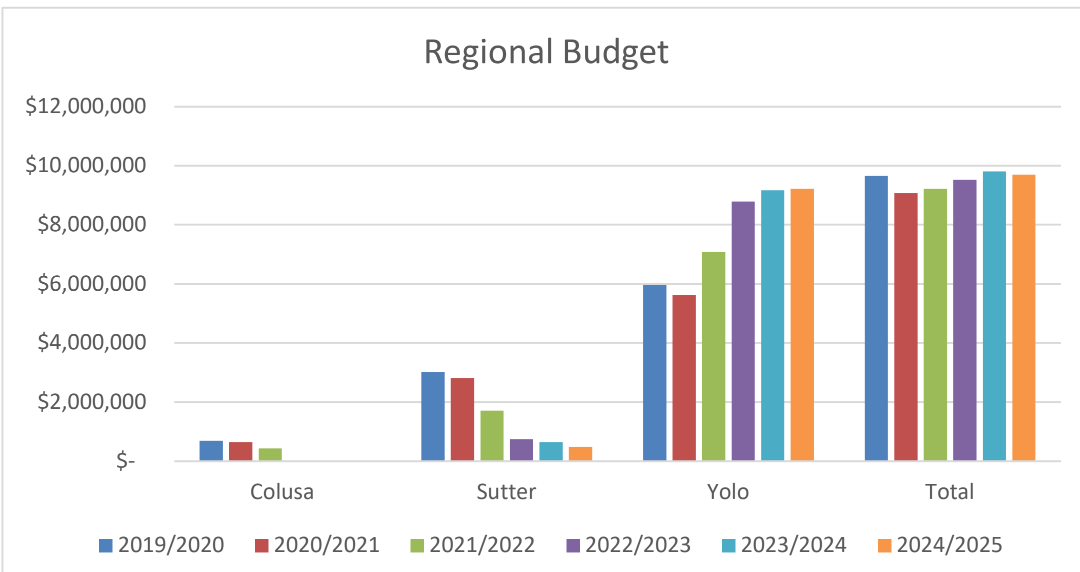
SFY 2024-25 Financial Update

On January 10, 2024, the California Department of Child Support Services (DCSS) issued CSSI Letter 24-01 Administrative and Electronic Data Processing Initial Allocations for State Fiscal Year 2024-25 (Attachment A). This letter, attached, reflects no increase or decrease in the Regional Agency's allocation. Final allocation letters will be issued by CA DCSS, typically after the state budget is signed.

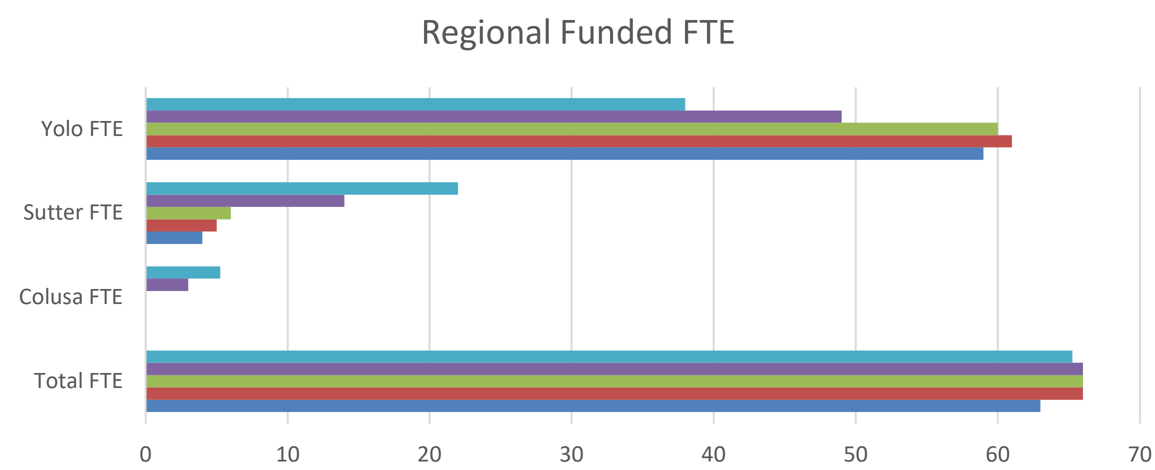
As previously mentioned, we budgeted in FY 2024-25 to $250,000 in FPIF. We recently learned that our FPIF was increased by $50,000 to a total of $300,000. While we did not budget to the full FPIF this fiscal year available to us, it still allows for additional flexibility to our agency if needed.

Reductions to FTEs in the proposed FY 2024-25 budgets were unavoidable due to rising costs. A total of 3 vacant FTE's are being unfunded or eliminated out of the Yolo budget, 2 Attorney's and one Admin Clerk I/II, bringing us to a total of 63 funded FTE's. In April of 2023 we discontinued shared services with Glenn County for attorney services. We were splitting the cost of one full time limited term attorney. This position and funding that we received from Glenn are reduced in the FY 2024-25 Budget. Additionally, the department had two Assistant Directors, one of which was also the Lead Attorney. Upon the retirement of the Lead Attorney Assistant Director, the position is being eliminated. Another one of our long-time existing Attorneys was promoted to the role of Lead Attorney, who is not also acting as Assistant Director. The department now has 2 full-time attorneys only. The Admin Clerk I/II is vacant and unfunded. There are some pending unknown costs that could allow us to fund that position depending on the final county budgets.

Departmental proposed budgets have been submitted to Sutter and Yolo counties totaling $9,690,576 for the region. The chart below shows how our county budgets have changed over time as we have moved through our regional journey.



The chart below shows how the regional agencies funded full time equivalents are changing over time. Four Sutter County employees have not yet chosen to transition to Yolo County and have until December of 2025 to do so.



	Total FTE	Colusa FTE	Sutter FTE	Yolo FTE
2020/2021	65.25	5.25	22	38
2021/2022	66	3	14	49
2022/2023	66	0	6	60
2023/2024	66	0	5	61
2024/2025	63	0	4	59

2020/2021 2021/2022 2022/2023 2023/2024 2024/2025

Ongoing Funding Efforts

In 2018, the Child Support Directors Association (CSDA) worked in collaboration with DCSS to establish a budget methodology for the allocation of program funds which considers caseload variations between Local Child Support Agencies (LCSA) and average FTE costs to provide the minimum resources to each local agency to complete mandated activities and to meet minimum federal and state management requirements. This methodology was ultimately adopted, and the plan was to roll out full implementation over several years, with full implementation by SFY 2023-24. The California program did not see full implementation in 2023-24 and with deficits reported in the January Governor's Budget we do not expect additional funding for Child Support in 2024-25. We do not have reason to believe at this time that funding will be cut for the budget year. With policy changes that continue to impact the size of our caseload we anticipate that our funding may be negatively impacted in future years. We have closed over 500 cases in this fiscal year related primarily to foster care policy change. We are not considered overfunded in FY

2024-25, based on the latest funding calculator tool that DCSS provides us to run “what if” scenarios but of course that can change over time. All California counties are impacted by the policy changes and caseload reductions, not just our agency.

Last year we shared information about regional agency funding advocacy efforts given the unique challenges of running a regional operation. The ask was to fund regional agencies by county, as opposed to running the funding calculator for a single agency. The DCSS Director and CFO did not support this approach and pointed to the efficiencies gained in regionalizing in addition to concerns about cost effectiveness. As a result, the regional directors are taking a different approach recognizing that regional LCSAs provide services in multiple jurisdictions. The budget methodology assumes a fixed rate of 20.9% for Operating Expenses & Equipment (OE&E). That percentage was developed in 2018 based on the costs of running a single county LCSA, however that percentage is applied equally to all LCSA’s. DCSS did an analysis of OE&E actual expenditures and determined that regionalized LCSA costs were closer to 23-25%. The regional Directors are asking to be funded using a higher OE&E percentage. If this approach gets traction, it will not have an impact in FY 2024-25 allocations but instead could impact future years allocation.