

2016 LEADERSHIP INSTITUTE

Budget Processes and Associated Challenges

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Today's Objectives

- **Gain a better understanding of the following:**
 - Child support program fits into state government
 - State of California's budget process
 - State DCSS budget process
 - Local DCSS budget process
 - Some key budget barriers at State & Local levels



■ Executive Branch

- Headed by the Governor and elected or appointed Officers overseeing agencies
- Governor oversees all agencies, departments, many boards and commissions that are not overseen by the elected or appointed officers
- The Governor's oversight is organized into agencies
- More than 60 departments, boards, and commissions report to the Agency Secretary

Child Support Program and State Government

- The Department of Child Support Services (DCSS) is part of the California Health and Human Services Agency (CHHS)
- CHHS oversees 13 state departments and other state entities including DCSS
- CHHS programs provide a range of services including:
 - Health Care and Public Health
 - Social Services



Child Support Program and State Government

- Mental Health
 - Alcohol and Drug Treatment
 - Income Assistance
 - Child Support
- More than 30,000 people work directly for CHHS and its departments and regional facilities throughout the state



Summary of California's State Budget Process

- The state budget year (also known as the state fiscal year) runs from July 1 - June 30
- Legal authority to spend money in any fiscal year is provided by the annual State Budget Act
- At the lowest level, each state department is responsible for developing and submitting budget proposals, cost estimates for the department and the program(s) it oversees



Summary of California's State Budget Process

- State agencies are responsible to communicate the Governor's priorities to the state departments and to approve or deny state departmental requests based on those priorities
- Approved state departmental requests are forwarded to the Department of Finance

Summary of California's State Budget Process

Responsibilities of the Department of Finance (DOF)

- Approved proposals and requests are published in the Governor's January proposal and May revision
 - On or about January 10th of each year, the **Governor's Budget** is released
 - On or about May 5th of each year, the **Governor's May Revision** is released
 - DOF provides instruction and oversight for the budget process and all budgets/request are analyzed and approved or denied by the DOF

Responsibilities of the Legislative Analyst's Office (LAO)

- The LAO serves as the “eyes and ears” of the Legislature
 - Ensures legislative policy is implemented in a cost efficient and effective manner
 - Reviews and analyzes budget proposals and the state's finances
 - Makes recommendations for legislative action

Responsibilities of the Legislature

- The Legislature uses the Governor's budget proposals as a starting point for budget bill discussions and negotiations
- The Legislature determines which proposals will be included in the final budget

Summary of California's State Budget Process

Responsibility of the Governor

- Once both houses of the legislature agree and pass the budget bill, it goes to the Governor for final approval or veto
- The Governor may approve the budget bill “as is” or with changes (line-item veto)
- Once signed by the Governor, the

Budget Bill becomes... *The Budget Act*



One Budget Two Categories

- For statewide tracking purposes, the DCSS budget is divided into two main categories
 - *S*tate Operations
 - *L*ocal Assistance

State Operations

DCSS' state operations budget includes funding for:

- CSE
- Judicial Council of CA Contract
- State staff (salaries, benefits) and operating expenses & equipment
- Office of state Publishing contract
- State Disbursement Unit (SDU)
- Locate, SLMS, Fair Hearing & Intercept contracts
- Federal costs including IRS intercepts fees



Local Assistance

- DCSS' local assistance budget includes funding for:
 - LCSA administrative costs
 - IRS intercept fees
 - The Federal Deficit Reduction Act (FDRA) mandatory fee
 - California Child Support Automation System – Child Support Enforcement (CCSAS CSE)
 - SDU service provider



DCSS Budget Development

The Budget Support Section is responsible for:

- Projecting costs
- Submitting proposals
- Requesting budget authority

For all aspects of the child support program



Political Environment

- Public attitude toward government
 - Opposed to increased taxes
 - Want more effective services at lower costs
 - Public salaries and pensions are too high

History of the Admin Allocation

- SFY 03-04 Baseline Allocations were set

- SFY 08-09 A negative adjustment of \$12.6m was made to transfer funds from the LCSAs to the State for the print/mail services contract
 - Reduction was made based on prior reported expenditures

 - \$6m was added to the \$12.6m to fully fund the contract

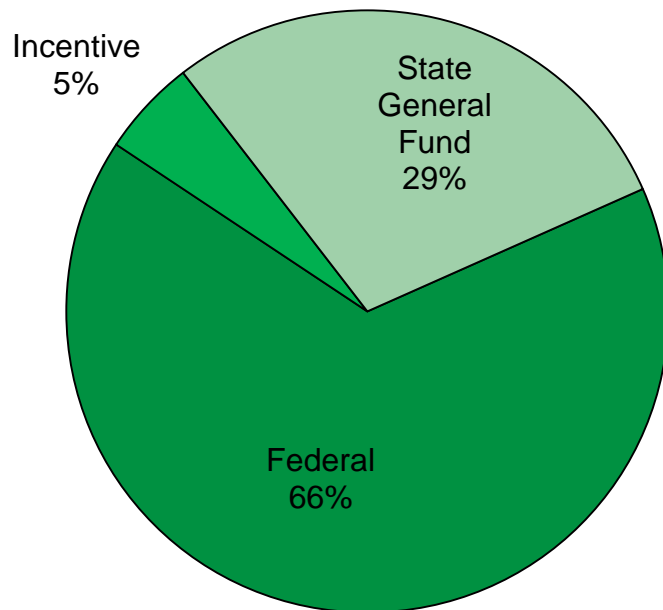
History of the Admin Allocation

- SFY 09-10 \$18.7m was appropriated for Revenue Stabilization
 - Funds were allocated based on revenue generating FTEs
 - Adjusted for performance in Collections on Current Support and Collections on Arrears

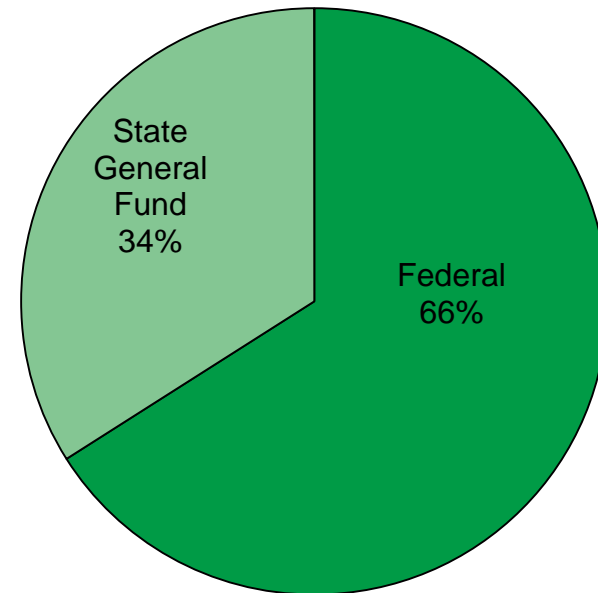
Allocations

LCSA SFY 2014-15 Allocations

Admin Allocation Funding Sources



EDP Allocation Funding Sources



Political Challenges at the Local Level

- Local political environment
 - Term limits and pending elections
 - Influence of organized labor
 - Difficult decisions now and in the future

Budget of LCSAs expected to participate in

- LCSAs are fully funded by State
- Generally no County General Fund contribution (Could state the counties that do get some general fund. Could talk about matching
- Expected to participate in countywide budget reduction strategies.

County Budget Balancing Strategies

- Hiring freeze
- Salary Savings
- Mid-year adjustments
- Program reductions – Targets for FY
- Labor negotiations – salaries & benefits



Practical Considerations at the Local Level

- What makes an LCSA budget unique?
 - Labor contracts negotiated by County, but State/Federal funded program
 - Classification management and position control
 - How to determine cuts and strategies
 - Politics associated with the process



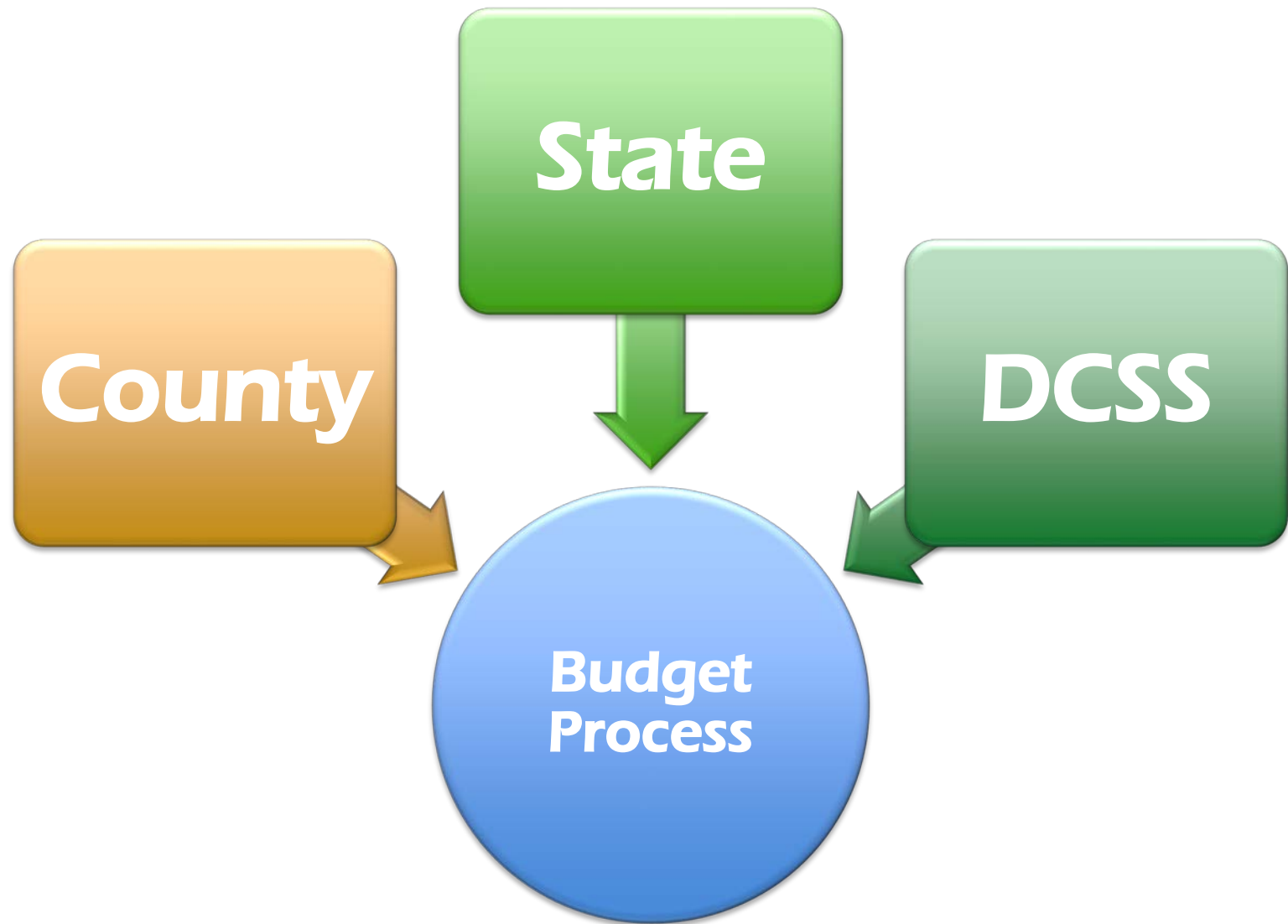
Practical Considerations at the Local Level

- No general fund monies
- No reserves
- Cash basis, no fund balance or carryover

Practical Considerations at the Local Level

- Questions?
 - What challenges do these following constraints pose?
 - No general fund \$\$
 - Can't build up reserves
 - Unspent allocation does not carryover
 - How can an LCSA turn the challenges into opportunities?

Melding the State, County & DCSS Budget



LCSA Budget Timeline

- New fiscal year begins July 1
- Year-end close for prior fiscal year – July.../Aug
- Adopt final budget for new fiscal year – June.../Sept
- 1st Quarter CS 356 Claim – due October 15
- CS921 Budget Display - February



LCSA Budget Timeline (cont.)

- Mid-year analysis due to CAO/CEO – roughly, January
- 2nd Quarter CS 356 Claim – due January 15
- Program Plan/Budget narrative due to CAO/CEO – roughly February – March
- Preliminary Allocation Letter – February/March
- LCSA Budget Development – in progress Feb/Mar/Apr



LCSA Budget Timeline (cont.)

- 3rd Quarter CS 356 Claim – due April 15
- Year-end analysis due to CAO/CEO – April(ish)
- County Budget due – approximately April
- EDP Budget Display – mid/late spring
- Budget Hearings – June – September



LCSA Budget Timeline (cont.)

- Gear up for year-end closing (again...)
- 4th Quarter Claim – due July 15
- Year-end close – July.../August

- **And... the cycle continues...**



Challenges during the Fiscal Year

- Uncontrolled attrition
- Difficulties associated with hiring
- More or less salary savings than anticipated
- Meeting LCSA goals with reduced staffing levels
- Negotiated increased salaries and benefits
- New CAOs/CEOs, Board Members, State Staff



Unique Aspects of LCSA Budget

- Revenue Sources – 66/34 fed/state split
- Connection to State Budget
 - County target vs. State budget process
- Potential level of CAO/CEO scrutiny
 - Good and Bad
- Possibly different COLA assumptions

Bottom line: A Balanced Budget!!!



Budgeting Tips

- Be prepared – analysis and due diligence
- Be proactive – take control of your budget problems
- Propose solutions/recommendations
- LCSA fiscal staff development
- Develop your relationship with your CAO/CEO Budget Analyst

Budgeting Tips

- Connect Budget and Goals/Performance
- Be realistic about service impacts
- Take credit for improvements and efficiencies
- Quantify impacts and clearly communicate them
- Use your LCSAs overall performance to establish credibility

Relationship with CAO/CEO & Budget Analyst

- Educate your analyst
 - Department background & overview

- Keep analyst informed and in the loop
 - Email and cc

- Set expectations

- Define roles
 - Department advocate

- Establish mutually beneficial relationship

Additional Budget Strategies...

- Annual Strategic Planning Process
- Automation/Technology projects
 - One-time investments that yield long-term savings
Examples: scanners, multiple monitors, single sign-on
- Review service charges
 - Direct vs. indirect costs
- Spend the LCSAs Allocation
 - Understand the components & anticipate the lead time



EDP Recurring & Non-Recurring Funding

- Annual LCSA letter requesting budget data
- Submit via EDP web form
- M&O funding
 - Current need
 - Historical trend
- Non-recurring funding
 - New non-recurring projects
 - LCSA submit requests in June



Prior Approval Requirements

Administrative and EDP

- Policy in CSS Letters 04-20 and 05-05
- All automation products and services planned for purchase using EDP or Administrative non-EDP funds
 - Including personal computers, servers, printers, integrated voice response units, imaging systems, new and existing software, and web contracting services



You are NOT alone

- LCSAs throughout the State are just an email or phone call away
- Any situation you are facing is probably not unique



Questions/Discussion

How do staffing levels present challenges within:

- Developing a budget
- During the budget year

What challenges can State & Local politics present during the creation of a budget?

Questions/Discussion

How do salaries and benefits impact a budget?



Questions/Discussion

How do rates impact a budget?



Questions/Discussion

What do you think are the different budgetary challenges for various counties?



Questions/Discussion

If you were challenged with looking to cut costs in your LCSA budget, what or where would you cut?



Comments/Questions?

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Please be sure to complete the session evaluation.

