

# ORIGINAL

## FRANCHISE TAX BOARD MEETING

AGENDA:            OPEN SESSION, INFORMATIONAL MEETING  
                     DISCUSSION REGARDING FRANCHISE TAX  
                     BOARD INVOLVEMENT IN POTENTIAL  
                     CHILD SUPPORT ADMINISTRATION AND  
                     PROGRAMS

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DATE:              THURSDAY, AUGUST 12, 1999

TIME:              10:00 A.M.

LOCATION:           State Board of Equalization  
                     450 N Street, Room 121  
                     Sacramento, CA 95814

BEFORE:            FRANCHISE TAX BOARD MEMBERS:  
  
                     KATHLEEN CONNELL, STATE CONTROLLER  
  
                     B. TIMOTHY GAGE, DIRECTOR,  
                     DEPARTMENT OF FINANCE  
  
                     JEAN ALEXANDER, TAX COUNSEL  
                     REPRESENTING JOHAN KLEHS, CHAIR,  
                     BOARD OF EQUALIZATION

FRANCHISE TAX BOARD STAFF:

                     GERALD H. GOLDBERG, EXECUTIVE  
                     OFFICER, AND STAFF



1 THURSDAY, AUGUST 12, 1999, 10:10 A.M.

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3 MS. CONNELL: I'm going to call this  
4 meeting to order, and I wanted to thank all of you  
5 for being here. I apologize for being late. We  
6 were doing a little briefing next door, and I  
7 wanted to conclude that briefing.

8 I'm joined today as the chair of the FTB  
9 by Tim Gage who is the director of finance and by  
10 Jean Alexander who is representing Johan Klehs who  
11 is the third member of the Franchise Tax Board.

12 I want to welcome all of you to the  
13 special hearing of the Franchise Tax Board on Child  
14 Support Collection Program.

15 The purpose of our meeting today is very  
16 simple. It is to clarify and define the Franchise  
17 Tax Board's role in child support collections, both  
18 currently and as proposed in the future.

19 As many of you know in the audience, the  
20 legislature is working on child support  
21 legislation. There are several child support bills  
22 that have moved their way through the process,  
23 which would have a significant impact on the  
24 Franchise Tax Board's role in child support.

25 And we want to make sure that as we go  
26 through the final stages of this legislative

1 process, that we do not put the Franchise Tax Board  
2 in a position that either undermines its core  
3 function of being a tax agency or it becomes  
4 impossible to implement.

5 As I said in earlier comments at the  
6 session we just completed, the child care support  
7 system in California is a \$13 billion balloon that  
8 is about ready to explode. What is important is  
9 that we recognize that there are thousands, tens of  
10 thousands of children in California who, without  
11 child support, will be committed to a lifetime of  
12 poverty, and that with child support, can be kept  
13 out of the welfare system and hopefully have the  
14 resources to live a normal life.

15 So what is at stake here is very, very  
16 important. We have an opportunity in California  
17 with the legislation that is going through to do it  
18 right, to make sure that we deal with the core  
19 competencies that are required to deliver child  
20 support on an integrated basis. Those core  
21 competencies include some which the FTB has within  
22 its arsenal of talents.

23 The core competencies that we're going to  
24 be hearing discussed today are really three-fold.  
25 The core competencies are case management, they are  
26 collections, and they are technology. And as each

1 of the representatives that have asked to speak  
2 come forward today, we hope you will identify your  
3 remarks in relationship to those as well as other  
4 issues that you may choose to address.

5 It becomes imperative that we understand  
6 what the business expertise is and what the  
7 technical expertise is of agencies to operate in  
8 relationship to those three core competencies.

9 In respect to the FTB, I think we have an  
10 agency that has a proven track record as an agency  
11 that can collect revenues efficiently and fairly.  
12 And it is a role which it has played with great  
13 respect in state government. And I as the chair of  
14 the FTB acknowledge that role, and have over the  
15 last four years with my fellow board members,  
16 attempted to make sure that we do so in a customer  
17 service mentality and slim down the bureaucracy and  
18 improve our customer communication. I think we're  
19 accomplishing that.

20 Last week, the state auditor here in  
21 California issued a report that detailed both the  
22 failures at the state and the county level, and  
23 resolving those failures is not going to be an easy  
24 process. It may not be a process that comes about  
25 quickly nor is it a process that is going to be  
26 inexpensive. And while we here at the FTB will

1 play an important role as we look at what we can do  
2 on the collection side, we should also be very well  
3 aware and recognize that 70 percent, 70 percent of  
4 those who owe child support in California never  
5 file a tax return.

6 And of those who do file, there are \$13  
7 billion outstanding in California, I mean 13 -- 13  
8 million people in California who have child support  
9 requirements. Roughly four billion of the amount  
10 that is outstanding is those that can pay taxes in  
11 California, but two billion of the four billion are  
12 those who file taxes and are earning less than  
13 \$20,000 a year.

14 So we must be mindful as we go through  
15 this hearing today that even if the FTB moves  
16 aggressively into an expanded collections role, the  
17 FTB alone will not improve the child support system  
18 in California because it can only reach those who  
19 have assets that can be attached.

20 Now, in conversations throughout the state  
21 with both public officials, at the local level, and  
22 child support advocates, I have heard concerns that  
23 the current proposed changes may not result in the  
24 reforms that are desired.

25 We're going to ask all of you today to  
26 speak to those issues. We need to make certain

1 that case management and customer service remain at  
2 the local level where indeed the expertise lies.  
3 And we need to make certain that the FTB is focused  
4 on what it can do best which is of course the  
5 collections arena.

6 Now let me quickly outline how the hearing  
7 is going to run today. First, we're going to hear  
8 from the principal auditor from the Bureau of State  
9 Audits who is going to share of results of their  
10 report and the thoughts on what reforms need to be  
11 made to the child support system.

12 Then we will call upon Jerry Goldberg and  
13 his staff to talk about the actions that they feel  
14 that they can take in the area of collections  
15 activities.

16 And then we're going to review the bills  
17 that will have a potential impact on the FTB, hear  
18 from the various interest groups as it regards  
19 those bills, and ask for those who have requested  
20 to speak to speak.

21 Now, we already had some people have  
22 requested to speak, and then we have some  
23 additional people who have signed in today. We're  
24 going to try to coordinate these lists so that  
25 everyone gets a fair opportunity to have a moment  
26 of time.

1           We're going to ask that people, with the  
2 exception of the Bureau of State Audits and the  
3 Franchise Tax Board, keep their comments confined  
4 to four minutes because we have tremendous  
5 interest. And everyone addressing this board  
6 today, I appreciate your interest and your support,  
7 as I'm sure my colleagues do, but in order to give  
8 you access to time, we are going to have to be  
9 mindful of the limits that we have.

10           I'm going to start then by calling on Doug  
11 Cordiner.

12           MS. ALEXANDER: Ms. Connell, before you  
13 start, can I just say one comment? People may  
14 wonder who I am since I'm not traditionally a  
15 member of this board. However, Mr. Klehs is very  
16 disappointed that he couldn't be here today. He is  
17 sitting as a chairman of the Board of Equalization  
18 in Culver City today with Franchise Tax cases being  
19 heard which were scheduled many months ago and  
20 sends his apologies, and I am very pleased to be  
21 here.

22           MS. CONNELL: Thank you. Again let me  
23 introduce, this is Jean Alexander who is  
24 representing Mr. Klehs. And to my right is  
25 Mr. Gage who is the director of finance.

26           Mr. Gage, would you like to make an

1 opening comment?

2 MR. GAGE: Yes, Madam Chair. I'd like to  
3 thank you for having pulled this hearing together.  
4 I think it's a great opportunity for us all to  
5 learn more about the child support system.

6 And there wasn't a single comment you made  
7 that I would disagree with in terms of balancing  
8 the effort that we need to make here to balance,  
9 the importance of improving child support  
10 collections in this state to improve the lives of  
11 children throughout California against insuring  
12 that the core mission that the Franchise Tax Board  
13 has is not jeopardized in any way.

14 Obviously as the director of finance, my  
15 chief concern is insuring that the state's  
16 financial situation remains solid, and the  
17 Franchise Tax Board plays a critical role in that.  
18 So I'll be interested in learning more about this  
19 issue. And I hope that this will form the process,  
20 the legislative process that begins again next  
21 Monday in terms of crafting the legislation that's  
22 moving through that will reform this process.  
23 Thank you very much.

24 MS. CONNELL: Thank you. Are there  
25 representatives here from Senator Burton's office  
26 and Assemblywoman Kuehl's office and Senator

1 Speier's office? If so, I would like to invite you  
2 to come join us up here on the dais if you'd like  
3 to do so and take your notes from up here and so  
4 that you're in a position to ask questions as we go  
5 through the morning session. If you'd like to do  
6 that and you're in the audience, feel comfortable  
7 in joining us up here.

8 Let us begin then if we can, with a -- the  
9 report of the findings by the State Auditor's  
10 Office, and I would like to call on Doug Cordiner  
11 who's the principal auditor of the Bureau of State  
12 Audits. Thank you for being with us today.

13 MR. CORDINER: Thanks for inviting me.

14 MS. CONNELL: Yes.

15 MR. CORDINER: Good morning, board  
16 members. My name is Doug Cordiner. I'm with the  
17 principal auditor in charge of this audit of child  
18 support. To my right is Reed McDermott who was one  
19 of the team members on that audit.

20 Ms. Connell already mentioned very well  
21 some of the issues that are pertinent to this  
22 subject. It is an important subject.

23 The joint legislative audit committee,  
24 because of all the pending bills on this issue,  
25 wanted us to do some independent work on their  
26 behalf to see if in fact the criticisms laid at the

1 feet of the program were justified or not.

2 In so doing, we did work at the state  
3 level. We also visited a selection of counties  
4 that do the day-to-day delivery of child support  
5 services. In selecting those counties, we tried  
6 very hard to get a good representation, both of  
7 urban and rural, those that are located in the  
8 south part of the state as well as in the north,  
9 and those that were large and small.

10 What we found in doing our work was that  
11 there's no centralized source for pointing a  
12 finger. There's no single source where the program  
13 clearly is not doing as well as it could, but  
14 there's no single source of accountability for  
15 that.

16 We found that there were shortcomings,  
17 both at the state, local, and even at the federal  
18 level.

19 Our first chapter of the report dealt with  
20 the role that DSS plays as the named entity in  
21 charge for administering and supervising the  
22 effective and efficient program of child support.  
23 We found that they failed in that role largely  
24 because of the lack of strong leadership. For  
25 years, they've had opportunities to step up and  
26 lead, and instead have been more of a hands-off;

1 they used the hands-off approach.

2 We found that there is certain programs  
3 that have promise that -- and an initiative as well  
4 that DSS has initiated, but it needs more effort to  
5 bear its full potential.

6 Two of those programs are the Parents  
7 Opportunity Program, POPS. That's a declaration  
8 forum to establish paternity for a child. The  
9 state has developed a statewide data base for the  
10 counties to use, but it's difficult for the  
11 counties to use that data base. And the reason why  
12 it is is because under the current arrangement, a  
13 county, particularly one the size of Los Angeles or  
14 San Diego that has many thousands of cases, would  
15 literally have to spend hours on the phone  
16 contacting the vendor who maintains the data base  
17 to determine if any of that county's cases were --  
18 had a declaration on file. And once having found  
19 out that yes indeed there was a declaration on  
20 file, it would take another considerable amount of  
21 effort and time to get a copy of that declaration  
22 faxed back to the county.

23 Therefore, many of the counties choose not  
24 to use the statewide data base. Rather, they'll  
25 use -- some of the counties would use the POP  
26 declaration forms that are provided by the birthing

1 clinics and hospitals located in that county. But  
2 if a case involved a child that was born outside of  
3 the county, the only way the county would know it  
4 is to go through the data base. And it's difficult  
5 if not impossible for most of the big counties to  
6 really effectively do that.

7 So that's one of the areas we felt that  
8 DSS could improve that program, by making it  
9 readily accessible to all the counties.

10 Now, they're working toward that, and the  
11 way they're doing it is they're looking into the  
12 possibility of setting up an Internet site. Well,  
13 that would be good for the small counties because  
14 again you'd have to search on a case-by-case basis,  
15 and it's not really feasible for a larger county to  
16 use that mechanism.

17 They're also looking at the possibility of  
18 creating a CD rom to send out to all the counties  
19 on a periodic basis. That would show as of a point  
20 in time the population of that data base. The  
21 counties could then run their files against the  
22 CD rom and find out how many hits, if you will,  
23 that were on the statewide data base. But again,  
24 at that point, they would have to contact the state  
25 vendor and somehow get all those declaration forms  
26 sent to them, which would slow down the process.

1           Another area that we thought had  
2 potential, but as yet is not being fully realized,  
3 is the state investment fund. That's an annual  
4 appropriation made by the legislature to encourage  
5 innovative programs and initiatives at the county  
6 level to help increase child support collections.

7           And early on in the program's life, a lot  
8 of the counties availed themselves of this  
9 particular fund source. But as time went on, we  
10 noticed a steep decline. In fact as much as 87  
11 percent of the counties that initially had availed  
12 themselves of that fund source chose to not  
13 participate anymore.

14           And we wondered why that was. Well, in  
15 looking at and asking the counties why that was,  
16 they indicated that some of the requirements are  
17 too stringent as currently structured in law, and  
18 that is, right now, a county has to demonstrate --  
19 they have to borrow the money, set up whatever the  
20 initiative is, and if that requires enhancing their  
21 computer or hiring additional staff to implement  
22 their particular project, that all has to take  
23 place, and they have to show results sufficient to  
24 match the amount of money borrowed all in one year,  
25 all from the point where they first come up with  
26 this plan to showing results. It all has to be

1 accomplished within a year.

2 And many of the counties indicated that  
3 that was too short a time to show results. And in  
4 fact many of them had run out of these short-term  
5 kind of ideas that would quickly generate the  
6 results that would be needed in order for them to  
7 recoup what they borrowed through increased  
8 collections or incentives funds earned.

9 MR. GAGE: Question, Madam Chair.

10 MS. CONNELL: Yes, sir.

11 MR. GAGE: Did the counties indicate to  
12 you if a year was too short, did they have ideas in  
13 their hip pocket, so to speak, that would take a  
14 slightly longer period of time? Did they indicate  
15 to you whether or not they had additional ideas  
16 that they could pursue if that period of time were  
17 extended?

18 MR. CORDINER: They indicated that they  
19 did, but we didn't really get into the detail  
20 specific to each of those ideas.

21 What they said, that something along the  
22 line of maybe 24 months would be more appropriate  
23 for them to demonstrate the real benefit of their  
24 ideas.

25 MR. GAGE: Thank you.

26 MS. ALEXANDER: I don't know that you

1 mentioned it, but the real downside is that they  
2 have to then take out of their county funds monies  
3 to repay the loan.

4 MR. CORDINER: Correct, right.

5 MS. ALEXANDER: Is there anything that is  
6 being considered that would support the innovation  
7 for the sake of taking the risk to do it without  
8 putting additional stress on county, you know,  
9 county coffers?

10 MR. CORDINER: Well, that's the idea  
11 behind lengthening the time period, the time  
12 horizon for showing results.

13 The counties that we talked to said that  
14 they felt the longer time period would allow them  
15 to do that and lower the risk substantially on  
16 having to not be able to then show enough results,  
17 and therefore have to go to the county and ask them  
18 to fund that payback on those loans.

19 And there's also a matching, again,  
20 though, you have to initially come up with the  
21 funds to match.

22 MS. CONNELL: Doug, I'd like to direct you  
23 to parts of your report in which you talked about  
24 what has caused the breakdown in the state law  
25 child support system. I think you identify the  
26 failed statewide automated system being one

1 component.

2 A second component that you identified  
3 were that the counties had not received this needed  
4 technical assistance required by the state or that  
5 should have been forthcoming from the state.

6 And then the third was that some -- the  
7 counties seemed to have radically different  
8 philosophies regarding their responsibility on  
9 child support ranging from kind of a purely  
10 aggressive enforcement mentality, to kind of  
11 holding someone's hand and helping them understand  
12 the importance of paying child support in a timely  
13 fashion.

14 Can you kind of review each of those  
15 aspects? As I thought they were tremendously  
16 helpful in understanding. I'm particularly  
17 concerned about what we're going to do on the  
18 statewide automated system, because if that system  
19 is not in place, I think it hampers our ability at  
20 the FTB to do our collections work effectively.

21 Even if we gear up earlier in the process  
22 at the FTB and we come into the process rather than  
23 at 90 days, as we now do, after 60 days, we are  
24 still going to be hostage to the data that is  
25 existent in the system, whether it's from the local  
26 county level or from the statewide level. And if

1 we don't have an improved automated system, I think  
2 it's an extraordinary flaw of the overall reform  
3 method.

4 How do you see us improving the automated  
5 system?

6 MR. CORDINER: By getting one. That would  
7 be the biggest improvement. But unfortunately --

8 MS. CONNELL: Direct answers are always  
9 the easiest.

10 MR. CORDINER: Unfortunately that seems to  
11 be, under the current plan, years away.

12 As you probably know, the federal  
13 government rejected California's Consortia plan  
14 whereby they were going to link a number of the  
15 systems, four of them to be exact, and that was  
16 going to be their interim solution for a statewide  
17 automated approach to child support.

18 Again, the federal government rejected  
19 that plan, and so we're kind of back to the  
20 beginning after the failure of SACS, which cost the  
21 taxpayers \$111 million.

22 We once again are starting out by -- it's  
23 my understanding that there's been four vendors  
24 that have bid for, and I don't know if they've been  
25 selected already, they are doing the design kind of  
26 phase.

1           At the end of that point, one of those  
2 vendors with the best approach to a statewide  
3 automated system will be selected, and from that  
4 point, the detailed development will begin.

5           Again, that's going to take several years,  
6 I would imagine, unless there's some system used  
7 elsewhere that can scale up and work well in  
8 California; it can just be readily dropped in and  
9 used here. Anyway, that's certainly a stumbling  
10 block in the child support program's effectiveness  
11 and efficiency of operation.

12           We, in doing our work at the counties,  
13 there are counties out there with automated systems  
14 that are quite impressive. But again, there are 58  
15 different counties. There are a number of  
16 different systems being used. And Ms. Connell's  
17 remarks about the ability to get consistent data is  
18 a point well taken.

19           We noted that ourselves in looking at the  
20 quality of the data that was being sent, both to  
21 DSS, who then summarizes it and sends it to the  
22 federal government, we found that that was fraught  
23 with a lot of errors, a lot of inconsistent ways in  
24 which data was being reported.

25           And that probably is only going to be  
26 corrected through a couple of things. One touches

1 on the second point. The first is, if there was a  
2 single statewide automated system, of course  
3 everybody would have to enter the data similarly.

4 Secondly, that doesn't preclude somebody  
5 from entering bad data. And that's the second  
6 point. We found that DSS didn't do a lot to verify  
7 and validate nor analyze the data that was being  
8 sent to them from the counties.

9 And with just a simple examination, we  
10 found that, you know, certain things that were  
11 being reported didn't make logical sense. For  
12 instance, certain statistical information that  
13 should have been a subset of another set of  
14 information and therefore be smaller, was in fact  
15 larger. Well, if you had some kind of edit or  
16 audit, you could automate that, and that would kick  
17 out automatically. That wasn't being done. In  
18 fact it was being accepted and then transmitted on  
19 to the information that was provided to the federal  
20 government.

21 Again, as far as the training or the  
22 giving the assistance, we found that DSS, while it  
23 does annually look at compliance of the various  
24 counties, in doing their case processing, which is  
25 essentially are they meeting all the federal  
26 requirements and state requirements and doing it in

1 a timely fashion on their case processing? And  
2 that's well and good, but that doesn't get into the  
3 performance arena. That doesn't identify and try  
4 to intervene in those counties where performance is  
5 poor. Why is performance poor? How can we help  
6 those counties to improve in their performance?

7 MS. CONNELL: But that seems, Doug, there  
8 is no strategic plan here. Seems to me that a  
9 state agency should be providing a strategic plan  
10 that deals with what the performance expectations  
11 are up front.

12 And assigning, as both the auditor in  
13 general and the controller test, assigning not only  
14 expectations up front for performance but measures  
15 by which at the end of a period of time you're  
16 going to go in and audit against those  
17 expectations. And we don't seem to have that kind  
18 of framework in place for this program.

19 I'm sure you would have the same  
20 frustration we would have looking at a program  
21 where you don't have that up front, and there needs  
22 to be a strategic direction for this program.  
23 Needs to be provided by DSS as the agency in  
24 charge, that then forces a level of standard to be  
25 encouraged at the local level, and then goes in and  
26 periodically monitors to see whether it's being

1 accomplished and defines where the weak links are  
2 and provides technical assistance to mitigate it.

3 MR. CORDINER: Exactly. That's what we  
4 recommended that DSS should do.

5 We did note that they did have a strategic  
6 plan for the child support enforcement program.  
7 However, we also noted that the goals were quite  
8 general and often just simply reiterated what  
9 federal requirements were for the program.

10 And we found that, as the controller had  
11 mentioned, that none of -- none of these goals had  
12 tasks that were measurable to determine that --  
13 there was no expectation set up up front to, where  
14 do you want to be in a year, say. That's the  
15 target you're shooting for. There are certain  
16 tasks we've identified that are going to help us  
17 get there, and then some way to measure and in fact  
18 did you meet your target? And if you didn't, why  
19 didn't you? And what could we do then to help you  
20 reach that goal?

21 We didn't find anything like that in the  
22 strategic plan. And in fact some of the counties  
23 we went to really want that kind of direction.  
24 Really want -- they want recognition that each  
25 county is different from a variety of different  
26 demographic factors and so on. But there's no

1 reason why, beyond what the federal government is  
2 currently setting up as far as incentive  
3 performance measures, if you will, why there  
4 couldn't be expectations tailored for specific  
5 counties to shoot at. And a way to measure how  
6 well you're doing in reaching those goals.

7 MS. CONNELL: In fact if you look at what  
8 other states have done, many other states have done  
9 that. I would like to ask you, I don't know if  
10 you're -- I know having read your report again this  
11 weekend, it appears that other states, and I think  
12 Jerry can comment on this as well, have organized  
13 their child support activities a bit differently  
14 than California.

15 I think 18 states are using Departments of  
16 Human Resources. About 11 states are using their  
17 Department of Social Services as we are currently  
18 in California. I think eight states are choosing  
19 to establish independent offices of child support  
20 advocacy, and only four states are having their  
21 revenue entity involved in a primary role.

22 Were you able to evaluate what you think  
23 is the most appropriate and most effective choice?

24 MR. CORDINER: That wasn't within the  
25 scope of what we were asked to do.

26 We are aware that there's a variety of

1 different ways that the programs are structured  
2 throughout the nation. And in fact one -- there's  
3 a few states that have theirs lodged with the  
4 Attorney General as well. So that's even another  
5 variant.

6 And layered on that, there's state-based  
7 programs, there's county-based programs, and  
8 there's a hybrid, there's regionalized, so there's  
9 a whole gambit of different ways in which child  
10 support programs are operated throughout the  
11 nation.

12 But we did not in fact do any real  
13 comparison other than in what you saw in the  
14 report, where we compared ourselves against some,  
15 what we thought were peer states to see how  
16 California stacked up in certain areas against  
17 those peer states.

18 And what we found was California has  
19 improved and in fact, you know, is doing as well as  
20 or better than some of the their peers in certain  
21 of these areas of measurement, such as establishing  
22 support orders. In fact California did better than  
23 all the peer states in establishing new support  
24 orders.

25 But when you start looking, as -- you  
26 know, some of the other measures we looked at were

1 what were the percentage of the cases that had  
2 support orders that, where payments were being  
3 received. Didn't do quite as well there, although  
4 we have moved up over the four-year span we looked  
5 at.

6 And then finally we looked at what was the  
7 average amount collected on these cases that were  
8 paying, and there, California started to really  
9 fall behind as far as the average amount they  
10 collect.

11 So it was clear, while they're doing a  
12 better job, California is doing a better job at  
13 establishing support orders, the average amount  
14 collected on those cases isn't what would, you  
15 know, would catch it up, if you will, with the  
16 national average.

17 And that gets into again the demographics,  
18 which we discussed in an appendage.

19 California is unique in a variety of ways  
20 as you well know and has suffered through some  
21 certain things that other states, while suffering  
22 as well, didn't nearly have as, for instance,  
23 severe of a recession as we just recently came out  
24 of. And in fact some of the counties we visited  
25 were languishing well ahead as far as unemployment,  
26 even into 1998, and have recovered slower than a

1 lot of their counterparts in other parts of the  
2 country.

3 That factors into the ability of course to  
4 collect child support. If people, more people  
5 don't have jobs, then some percentage of those are  
6 noncustodial parents that can't pay their ordered  
7 child support.

8 And there's a variety of other factors we  
9 found where California leads the nation as far as  
10 the percentage of case load that are welfare  
11 recipients, far and away have much more of that  
12 kind of --

13 MS. CONNELL: I think our 70 percent  
14 number is strikingly high in that regard.

15 MR. CORDINER: It is.

16 MS. CONNELL: And even of those who had,  
17 when I looked at your appendices, and maybe I hope  
18 I'm not misreading it, it also seemed to me that  
19 the 30 percent that were employable and that you  
20 could assume that you could attach assets, so many  
21 of them, over half of them were very, very low  
22 income, which was again disproportionate compared  
23 to other states.

24 And that is very disquieting when you  
25 realize that even if you go after them, there's not  
26 a significant stream of income that's going to make

1 a remarkable difference in that child's life.

2 I mean the ability to funnel to that  
3 mother, in most cases it is the mother, another \$50  
4 in payments, while important in principal, does not  
5 dramatically change the quality of that child's  
6 life.

7 MR. CORDINER: I would agree.

8 MS. CONNELL: So this is the disquieting  
9 component of this whole program.

10 Tim and Jean, did you have questions you  
11 wanted to address to Doug?

12 And, Doug, I hope you can stay with us at  
13 least through the FTB hearing so that we can get  
14 your valued perspective.

15 Jean.

16 MS. ALEXANDER: I'm interested in the  
17 aspect of the core competencies of the various  
18 agencies.

19 We've talked about it in terms of case  
20 management versus collections, but it seems to me  
21 there's even more involved. There's a social  
22 services aspect, there's a law enforcement aspect,  
23 there's a collections aspect, and then there's a  
24 technology aspect.

25 In your study of the overall system, is  
26 there a clear line there about functions, or is

1 it -- is there overflow between the case management  
2 and --

3 MR. CORDINER: I think certain aspects are  
4 more blurred, and certain are more definite. What  
5 we found was in the area of -- counties seemed to  
6 fall into two different camps, if you will, and we  
7 coined them enforcement or assistance.

8 And the main features that were apparent  
9 to us in an enforcement environment were that they  
10 tended to want to use the judicial process more and  
11 that they were more willing to prosecute those  
12 noncustodial parents that failed to pay child  
13 support than were the more assistance-oriented  
14 counties we visited.

15 The assistance counties tended to want to  
16 meet with the noncustodial parent, try to negotiate  
17 some equitable solution within reason so that that  
18 person would in effect buy in, and they felt that  
19 that was important in getting them to start and  
20 continue paying child support. Whereas if they  
21 didn't feel like they were being listened to, it  
22 wasn't as effective.

23 The other area is again --

24 MR. GAGE: Question on that point.

25 MR. CORDINER: Sure.

26 MR. GAGE: Do you think there was a

1 relationship between that posture on the part of  
2 the county and the level of collections being  
3 received?

4 MR. CORDINER: Well, certain counties were  
5 able to demonstrate through initiatives that they  
6 chose that were more of the social type. That in  
7 fact it did, it seemed to improve, one, the number  
8 of support orders that they were able to establish;  
9 and, two, in San Diego's case, they were able to  
10 demonstrate that they had in fact collected money  
11 that they wouldn't otherwise have been able to  
12 collect because they wouldn't have established  
13 those support orders.

14 MR. GAGE: Was that a statistically valid  
15 relationship, or did you not pursue it that  
16 rigorously in terms of the methodology?

17 MR. CORDINER: Well, I don't think you  
18 can, because of the disparate and the variety of  
19 the way systems are being handled by the various  
20 counties, you couldn't do a statistical projection,  
21 if you will. So no.

22 MS. CONNELL: And that's one of the real  
23 weaknesses as you read through your report, not  
24 your report is weak, but one of the weaknesses in  
25 the overall child support system is this inability  
26 to capture data.

1           I mean if you are not capturing data, it  
2 is really impossible to run through the statistics  
3 and get any sense of which programs are more  
4 effective or which programs are more effective  
5 long-term, and this inability to track cases  
6 through the system is paralyzing in terms of being  
7 able to make a statewide report that gives you some  
8 sense of where and what attack might be the most  
9 promising.

10           MR. CORDINER: Right. That gets back to  
11 what we were talking about earlier, the fact that  
12 without the kind of direction and oversight to  
13 agree upon what is important, what do we want to  
14 track, because that also touches upon your earlier  
15 question about case management.

16           I mean if I'm out there, and I'm not  
17 getting much direction, I'm going to manage my case  
18 load as best I can. Does that fit within the best  
19 interest for the statewide program? I don't know.  
20 All I know is what I have and what I'm responsible  
21 for.

22           So I think that there's a whole variety of  
23 ways in which case loads are being managed at the  
24 county level that are lacking in that unification  
25 and direction that may well help them to better  
26 manage case loads. Or if one county is doing a

1 great job, to replicate that success and use it  
2 everywhere. That wasn't happening.

3 MS. CONNELL: In fact that's what we're  
4 going to have to find, is a way to replicate the  
5 successes in this program, or we're never going to  
6 attack that 70 percent figure. I mean the 70  
7 percent figure is daunting. That even if you have  
8 the most effective collection system, 70 percent of  
9 the audience of people who are in arrears in child  
10 support are not going to be affected. I mean that  
11 is just a glaring statistic that hangs out there.

12 It's not necessarily the purview of our  
13 board to be engaged in that question, but it  
14 certainly suggests that there are limitations with,  
15 you know, even current legislative work that is in  
16 process, because that is not being affected at all  
17 by the legislation that's going through.

18 MR. CORDINER: That's correct.

19 MS. CONNELL: Thank you, Doug. I think  
20 since you're going to stand around for a little  
21 while, we'll hold you and try to move to the  
22 Franchise Tax Board. And I think that Mr. Goldberg  
23 is prepared to address the question.

24 And, Jerry, if you can, for the purpose of  
25 the audience, some of whom may not be familiar with  
26 the role of the FTB, spend a couple of moments just

1 explaining how we've evolved.

2 I mean I've had the benefit of being a  
3 member of the board now for four-and-a-half years.  
4 And when I came on the board in '95, I believe the  
5 Jackie Speier legislation which was the premiere  
6 legislation in this field which set up the role of  
7 the FTB in relationship to child support was just  
8 going into effect.

9 We moved from I think five counties in a  
10 pilot program to 15 and then to the rest of the  
11 state. So we have evolved our role over the last  
12 four years.

13 But can you explain for the audience  
14 exactly what our role is today and what is being  
15 suggested by the various aspects of legislation.

16 MR. GOLDBERG: We'd be delighted to do  
17 so. Before beginning, however, I'd like to make  
18 some introductions. I just want to introduce the  
19 people that are up here. I believe you all know  
20 Brian Toman, our chief counsel.

21 Next to Brian is Ralph Schumacher. He's  
22 an assistant executive officer for information and  
23 technology.

24 Next to Ralph is Debbie Strong. Debbie is  
25 responsible for the administration of our current  
26 child support program amongst other

1 responsibilities.

2           Next to Debbie and next to myself is John  
3 Vranna. John is over our overall collection  
4 program, and Debbie reports to John.

5           Of course next to me on my right is  
6 Dr. Rosas, another face very familiar to you.

7           I'm going to ask John Vranna to speak to  
8 the issues that you raised. John is prepared to do  
9 so. And in -- relatively briefly. And certainly I  
10 will chime in as I feel appropriate.

11           MR. VRANNA: Good morning, Madam Chair. I  
12 did take the liberty of developing some charts, so  
13 if you'd prefer, I can put the charts up and talk  
14 from them.

15           MS. CONNELL: Certainly. Whatever is  
16 best. Can your charts be seen by the audience? I  
17 mean I'm happy to step down into the audience for  
18 purposes of your use of charts.

19           MR. VRANNA: I also have handouts, too.

20           MS. CONNELL: I think it would be helpful  
21 for the audience to be able to see what you're  
22 using. Maybe you can direct it in such a way that  
23 we can all see it.

24           If we have a handout, why don't you make  
25 it comfortable for the audience to see the charts  
26 then.

1 MR. VRANNA: Very good.

2 MS. CONNELL: Seeing as how not many of us  
3 here at the dais might not be able to read the fine  
4 print anyway on the chart. If I may just  
5 acknowledge that.

6 Well, there are members, you were saying  
7 may not be able to read the handout, but that's a  
8 different issue.

9 Are members of the audience able to see  
10 the charts; not read them, but see them?

11 MR. VRANNA: I'll try to go through them  
12 as quickly as I can. The Franchise Tax Board has  
13 been involved as you were suggesting for a number  
14 of years in the collection of child support within  
15 partnership with the counties. It began in 1992 as  
16 part of a pilot program as was suggested by  
17 Assemblywoman Speiers.

18 It involved six counties, and it's evolved  
19 to the point today where we are working with all  
20 but four counties in California to partner with  
21 them to collect child support. Requirements are  
22 that if there was a delinquency in excess of 90  
23 days, the case is referred to the Franchise Tax  
24 Board where we take some limited collection  
25 actions.

26 The counties have the option of referring

1 cases when they are 60 days delinquents or 30 days  
2 delinquent, excuse me. Under both Assembly Bill  
3 196 and Senate Bill 542, essentially would expand  
4 the Franchise Tax Board's role. What I'm going to  
5 do is explain what that expanded role would be from  
6 our perspective.

7 Specifically it does as was mentioned  
8 earlier, require that all counties refer cases to  
9 the Franchise Tax Board when they're 60 days in  
10 arrears. When court orders are established if  
11 there's an arrearage of more than 30 days and the  
12 amount is in excess of a hundred dollars, the cases  
13 are referred to the Franchise Tax Board.

14 Here's a summary of some of the  
15 significant changes on this chart. Currently we  
16 have approximately 500,000 cases in our inventory.  
17 Based on information we receive from the counties  
18 to offset income tax returns for delinquent child  
19 support, we estimate there are approximately an  
20 additional 400,000 arrearage cases currently being  
21 managed in the counties.

22 We receive annually approximately 190,000  
23 cases per year. There has been significant growth  
24 each year in the amount of arrearages that are  
25 subject to being collected. We haven't ventured a  
26 guess as to what the expected growth rate would be,

1 but we do expect these inventories to increase.

2 In working with the local agencies, the  
3 counties, they withdraw approximately 109,000 cases  
4 per year. And I'll be describing our collection  
5 process in a moment that makes -- that will explain  
6 why that makes sense.

7 An important point on this last item is  
8 that if there's an income tax obligation owed, the  
9 Franchise Tax Board holds the case after sending an  
10 original notice out. We take no involuntarily  
11 collection actions by statute if there's an income  
12 tax owed. This says rejected. That's actually a  
13 misnomer. We actually cull the case, don't reject  
14 it, and send it back to the counties.

15 Now, under the legislation, our assumption  
16 would be that the bulk of these 400,000 cases would  
17 shift to the Franchise Tax Board for a more  
18 complete collection process, so our inventories  
19 would be about 900,000. We would expect some  
20 significant growth per year as more arrearage cases  
21 are identified.

22 The local counties, agencies would not be  
23 withdrawing cases, because our understanding is it  
24 would be the Franchise Tax Board's responsibility  
25 to manage that accounts receivable debt.

26 Now, I need to stress, in this discussion,

1 I'm talking about managing accounts receivable.  
2 Sometimes in the collection business, we also use  
3 the term case management. I don't mean case  
4 management at all in the context of this discussion  
5 in child support. This is a very narrow definition  
6 for collecting debts and managing the accounts  
7 receivable.

8 MS. CONNELL: Can you stop just a moment?  
9 Because I think we have hit a crucial difference  
10 between what we are doing now and what we would  
11 have to do, and I want to make sure I understand  
12 this clearly.

13 Now, when we have an account that comes to  
14 the FTB, if we are able to identify a stream of  
15 income, i.e., income tax that can be attached for  
16 the payment of child support, we do so, and then we  
17 send that case back to the District Attorney's  
18 office.

19 That case is then handled at the District  
20 Attorney's office, and at some point in the future  
21 if it's in arrears again, it can come back to the  
22 FTB again and then sent back after our action; is  
23 that correct? We constantly go back and forth with  
24 the district attorney? We are not keeping that  
25 case in-house from the time we get it now.

26 MR. VRANNA: That's essentially correct.

1 We issue a levy. If it's successful, the debtor  
2 will typically contact us because the levy is for  
3 50 percent of the net disposable income. And that  
4 creates a significant problem on the obligor's  
5 part. And when they contact us, typically the case  
6 is referred back to the county.

7 After a few payments come in, in many  
8 instances the counties do pull the case back and  
9 manage the arrearage there. So that's correct.

10 Another significant change in this  
11 legislation is the priority for collecting debts  
12 between income taxes and child support would  
13 change. Under these statutes, child support would  
14 have a higher priority than income taxes.

15 MS. CONNELL: Well, I guess what I'm  
16 trying to get at, and I appreciate that  
17 explanation. What I'm trying to get at, it seems  
18 to me that under the legislation, that once we get  
19 the case from the district attorney's office, we  
20 keep it. It never goes back to the district  
21 attorney's office. So we have in perpetuity an  
22 obligation to maintain that account. Is that  
23 correct?

24 MR. VRANNA: That's right.

25 MS. CONNELL: That is a significant  
26 departure from what we're doing now, because now

1 the cases come in and they go back to the county of  
2 origin.

3           What does that mean in terms of our  
4 ability to manage in perpetuity X number of cases?  
5 At what point does that case file expire at the  
6 FTB, or does it ever expire? Jerry, maybe you want  
7 to --

8           MR. GOLDBERG: Well, I think we need to  
9 further clarify. That even though we have a case  
10 for accounts receivable purposes, we are in fact in  
11 constant communication or will be in constant  
12 communication with the counties because the county  
13 will still have the responsibility for the overall  
14 case. So that the key policy decisions with regard  
15 to the case will be made by the counties. It is  
16 only the accounts receivable decisions that will be  
17 made by the FTB.

18           And, John, if you could amplify perhaps  
19 even my comments.

20           MS. CONNELL: Let's really focus on this  
21 because this is a difference, is it not, Jerry,  
22 between what we're doing now and what we would be  
23 asked to do. And I want to make sure we understand  
24 what the pressures are on the FTB and what it means  
25 in terms of total computer-based information that  
26 we're going to be required to maintain here.

1           MR. VRANNA: Madam Chair, if I can walk  
2 through this chart. I think it will answer your  
3 question.

4           You go to page actually three on your  
5 handout, and in trying to keep as brief, go  
6 directly to three. This is a description of what  
7 we not only do now but what we would be doing under  
8 these two pieces of legislation.

9           Currently as was stated when a case is  
10 referred to us from the county, we initiate a  
11 notice, a 20-day notice to contact us or contact  
12 the county, and we advise them to contact us to  
13 make arrangements to pay it in full or work out  
14 another arrangement to resolve the liability.

15           If we receive no response, we do the data  
16 match that was just referred to, looking for bank  
17 sources, looking for wage sources. We essentially  
18 emulate a process we use in our personal income  
19 tax collection process. It's a piece of our  
20 collection process. If that is successful, a levy  
21 is issued.

22           Today, if there's a contact that comes to  
23 us, more often than not, that case would be  
24 referred to, back to the county for final  
25 resolution. And that gets directly to your point.  
26 Typically we will collect about three or four or

1 five payments before the case is referred back.  
2 And so we've actually collected some cash here, and  
3 then we refer the case back to the county as  
4 managed there.

5 Now, under this proposed legislation just  
6 as you were saying, the case would not be referred  
7 back to the county. When debtors contact us, it  
8 would be the Franchise Tax Board's obligation to  
9 work with the debtor to resolve that arrearage. It  
10 could be my modifying that wage assignment, it  
11 could be by issuing an installment agreement using  
12 electronic funds transfer, could be any other  
13 arrangements to resolve that particular arrearage.  
14 But you are correct, that case would stay in our  
15 inventory.

16 Now, as this process is going on right  
17 now, it essentially completes what we do today.  
18 What we would be doing under this legislation would  
19 be taking a number of additional collection  
20 activities, we would essentially be implementing  
21 our personal income tax collection system which is  
22 a paperless automated system which would  
23 essentially help us manage all of these receivables  
24 in a more effective way. Essentially it helps us  
25 get the right account to the right type of debtors  
26 at the right rate to take the right kind of

1 actions. Additional actions we would take would be  
2 assigning collections to collectors, to make  
3 outbound phone calls to increase collections in  
4 that manner there.

5 MS. CONNELL: You mean we would go outside  
6 the FTB?

7 MR. VRANNA: We would have staff be making  
8 phone calls to debtors to effect collections of  
9 taxes beyond simply the automated --

10 MS. CONNELL: Which is something we do not  
11 do now.

12 MR. VRANNA: Not fundamentally, no.

13 MS. CONNELL: So we are now going to have  
14 to establish a social services capacity within the  
15 department?

16 MR. VRANNA: Social service capacity? I'm  
17 not --

18 MS. CONNELL: I mean obviously this is  
19 more than just a collection responsibility where we  
20 attach an asset. We are going to have to have a  
21 human resources component that we don't have now.  
22 Whether you call it social services or human  
23 resources, we are now going to have direct contact  
24 with the child support system that we don't have  
25 now, that has I guess up to date, to date, and  
26 currently being handled by the district attorney

1 and the Department Social Services. You're saying  
2 we are going to have direct online communication  
3 with the debtor?

4 MR. VRANNA: Yes, but for the purposes of  
5 managing the accounts receivable. That's the  
6 position we understand. So we'd be contacting  
7 debtor to resolve the arrearage.

8 MS. ALEXANDER: Do we do that currently  
9 with regard to other taxes?

10 MS. CONNELL: No.

11 MR. VRANNA: Yes. This process I am  
12 describing mirrors our personal income tax  
13 collection process that we do now. Outbound phone  
14 calls are made to contact debtors to effectuate the  
15 collection of that debt.

16 Okay. This process would help us identify  
17 the cases to contact, they'd be assigned to  
18 collectors. We have a series of processes we could  
19 go through if we can't locate the taxpayer. We  
20 have -- excuse me, the obligor. We would go  
21 through a process to skip trace, identify the  
22 individual, if they had filed bankruptcy, we could  
23 file bankruptcy claims on behalf of the counties.  
24 We could file additional liens, and again we make  
25 outbound contacts to effectuate the collection of  
26 the arrearage. That would be the principal focus.

1 That's what our understanding of what the  
2 legislation would ask us to do.

3 MS. CONNELL: What are the differences  
4 between how we do that now on an income tax and  
5 this system? I mean I think the difference might  
6 be that we have to do it again and again and  
7 again. In other words, when a person fails to pay  
8 their incomes tax, this is an annual problem. I  
9 mean people fail to pay their income tax by April  
10 15th, and then we contact them.

11 Here, this is a monthly payment stream, so  
12 that they may pay it in September, and then they  
13 may not pay again in November, and then they may  
14 pay it again in December, and not pay it again in  
15 January. So we're going to have an ongoing monthly  
16 need to stay on top of this payment stream.

17 MR. GAGE: Isn't it as it relates to the  
18 arrearage exclusively?

19 MR. VRANNA: Yes, as it relates to the  
20 arrearage.

21 MS. CONNELL: But once we get the  
22 arrearage on the schedule, you're still going to  
23 make those payments monthly, and you're going to  
24 have new payments coming on online here, Tim.

25 MR. VRANNA: There's two problems here, if  
26 might help answer the question. There's two parts

1 to this. One is making sure the current support is  
2 being paid. And the other part which has to be  
3 paid through a wage assignment if the individual  
4 works for a wage, and the other part is dealing  
5 with the arrearage. Our focus is principally  
6 working on the arrearage.

7 Now, as a practical matter, as cases are  
8 referred to the Franchise Tax Board in many  
9 instances, you're absolutely right, this will be an  
10 issue where both the current and the delinquent  
11 amounts are not being paid. So if we are effective  
12 in identifying a wage source, one of the first  
13 things we're going to have to do in working with  
14 the county is to get a current wage assignment in  
15 place in partnering with the counties to make that  
16 happen. That's a priority under federal mandates  
17 as I understand the rules.

18 MS. CONNELL: The current has to be paid  
19 before the arrearages are paid?

20 MR. VRANNA: Exactly.

21 MS. CONNELL: Is that not correct? Am I  
22 correct about that, District Attorney, sitting in  
23 the room? Is that the mandate? Yeah, okay.

24 MR. VRANNA: So all monies we collect  
25 first must go towards current support.

26 Jerry was talking earlier about exchange

1 of information with us and the local agencies, the  
2 counties. We have monthly interchanges of  
3 information, actually daily interchanges of  
4 information between us and the county, so that they  
5 can provide us updated information, and we can  
6 provide them updated information. And we've worked  
7 out interfaces, if you will, exchanges of  
8 information that would go back and forth.

9 Now, under this proposal, the amount of  
10 information going back and forth between the  
11 counties and the Franchise Tax Board would have to  
12 increase. And the frequency of the information  
13 would have to increase to make sure we're doing the  
14 right things and taking the appropriate actions.

15 But essentially FTB would work in  
16 partnership with the county to make sure the  
17 current support is in effect and being paid through  
18 typically a wage assignment, then we would work  
19 with a rational plan to resolve that arrearage in a  
20 reasonable period.

21 MS. CONNELL: Who makes that decision of  
22 what is rational? I mean I think it's missing in  
23 the legislation. I think it's missing in reality,  
24 and I'd like Doug to comment on this as well,  
25 because I don't see how you can do this other than  
26 incrementally to see what works in each situation.

1 Each situation will be slightly different. And  
2 then do we go back and have the district attorney  
3 make that into a legal action against that debtor?  
4 I mean how are we making a settlement decision that  
5 isn't reflected in the legal action?

6 MR. GOLDBERG: I was going to say, the way  
7 in which I tend to view it is that we are a utility  
8 serving the needs of the county. So that the basic  
9 policy decisions will be made at the county level.  
10 They have the responsibility for the case. Clearly  
11 there's going to -- clearly what is a policy  
12 decision regarding an arrearage, there may be  
13 somewhere where we will be much more involved maybe  
14 at times in dispute. But fundamentally the case  
15 resides at the county level. They will be making  
16 the fundamental decisions. They will be, if you  
17 will, the driving force in this whole process.

18 I don't know whether that helps clarify,  
19 but that is --

20 MS. CONNELL: Aren't we changing our role  
21 at the state level and the FTB here? We just  
22 finished talking about the fact there's going to be  
23 a change of direction.

24 MR. GOLDBERG: Yes. Clearly there are  
25 going to be additional functions that we both will  
26 be performing if this proposal goes forward. And I

1 guess I should at this point even throw out that we  
2 are not advocating this. We are simply saying  
3 these are things we think we could reasonably do.  
4 If they're rejected by policymakers at the board or  
5 in the legislature, that would be fine with us. We  
6 are certainly not --

7 MS. CONNELL: Do you think you can  
8 reasonably do the collections component?

9 MR. GOLDBERG: We believe we can  
10 reasonably do the collections component as outlined  
11 by John to this point.

12 MS. CONNELL: But you don't feel that you  
13 need to get to nor do you feel that you are --  
14 well, what is your reaction to your competency? I  
15 defined the three areas, Jerry, which was  
16 collections, case management, and technology.

17 MR. GOLDBERG: With regard to case  
18 management, we have no experience, we have no  
19 experience in dealing directly obviously with  
20 custodial parents nor do we feel we belong in that  
21 role because we feel that is a social service  
22 function.

23 With regard to collections, we do feel we  
24 have a core competency in that area. Much of what  
25 John has been describing to you is exactly what we  
26 do with regard to individual income taxpayers, so

1 we feel we have a competency which we could utilize  
2 to assist the collection of child support.

3 MS. CONNELL: On the third arena, which is  
4 this technology which Doug has defined as being  
5 this flawed, you know, disastrous child care  
6 computer system at the state level, you're not  
7 suggesting a core competency there?

8 MR. GOLDBERG: No. But let me say  
9 there are two aspects to that. There is a  
10 technology, what John is talking about with regard  
11 to accounts receivable, which would simply be an  
12 expansion of our current accounts receivable  
13 collection system. That's -- so that is one aspect  
14 of technology.

15 The other aspect of technology is I  
16 believe what Doug has been alluding to which is  
17 replacement of the SACS system. It is almost -- it  
18 is -- can certainly be visualized as quite separate  
19 from this accounts receivable system.

20 MS. CONNELL: No, no. I clearly  
21 understand the difference between accounts  
22 receivable which is part of the heartbeat of a  
23 collection system, and this giant computer-based  
24 child data base system which doesn't exist at the  
25 state level because it has been flawed. I mean  
26 it's -- you know, that is an information technology

1 role which I think the auditor general would agree  
2 with me is not best lodged in the FTB at this  
3 point.

4 MR. CORDINER: You wouldn't think so.

5 MS. CONNELL: We're in agreement on that.  
6 And you're in agreement that the information  
7 technology component of the SACS system is not our  
8 role?

9 MR. GOLDBERG: We certainly aren't  
10 striving to have that as a role of the FTB. We  
11 have been involved in discussions with regard to a  
12 possible role for us in that -- my understanding is  
13 that the governor would like us involved.

14 MS. CONNELL: In what way?

15 MR. GOLDBERG: In essentially, and again I  
16 can't obviously speak for the governor in these  
17 discussions. We have had -- been at a very low  
18 level, at a staff level. But essentially my  
19 understanding is he would like to see us take over  
20 much of the responsibility that currently resides  
21 within the health and welfare data center.

22 MS. CONNELL: You would become the health  
23 and welfare data center for the state's child care  
24 support systems?

25 MR. GOLDBERG: Effectively we would taking  
26 over what amounts to the SACS system.

1 MS. CONNELL: This is a dreadful thought.  
2 Let me just be on record as saying that. I mean I  
3 cannot conceive of how the FTB would take over the  
4 flawed SACS system.

5 MR. GOLDBERG: We certainly wouldn't  
6 intend taking over the flawed SACS system.

7 MS. CONNELL: Where would be our  
8 expertise, Jerry, in doing so? Seems to me, I'd  
9 like Doug to comment on this, that when you take  
10 over -- and my information technology person is  
11 sitting in the audience as well, Dave Dawson.

12 Dave, maybe you ought to come forward as  
13 well.

14 It seems to me that when we talk about an  
15 information technology system, we are talking about  
16 a need to have business knowledge of that system.  
17 You need to understand the substance of what you  
18 are creating a system for.

19 You just finished saying we don't have  
20 case management experience, so how are we going to  
21 create a child support system which is a SACS  
22 system without case management knowledge and  
23 without business expertise as to how that program  
24 runs?

25 MR. GOLDBERG: I would not -- I would  
26 certainly not underestimate the task if it should

1 come our way. Clearly we'd have to bring ourselves  
2 up to speed with regard to the business of child  
3 support collections, and that would be an extremely  
4 formidable task.

5 MS. CONNELL: And one I might add that is  
6 not the primary constitutional purpose of this  
7 agency. I mean the purpose of this agency is  
8 revenue collection. The purpose of this agency is  
9 not to be an expanded social services vehicle.

10 Doug, what is your thinking about the  
11 child support? Are you as equally surprised as I  
12 am?

13 MR. CORDINER: As I wasn't privy to the  
14 conversations and the dealings that Jerry had, I  
15 can't really speak to that.

16 But perhaps, because you're aware that the  
17 vision for a single automated process including  
18 what's called a statewide case registry to where  
19 various partners, if you will, could access that  
20 and know it at a single point in time, what cases  
21 are receiving child support services, and add new  
22 ones, and as they close, delete old ones.

23 Also there's another component that's  
24 called the distribution unit. And that is set up,  
25 the division is, that within two business working  
26 days, that once monies are collected, funds are

1 collected, they can be distributed to the families  
2 in need of those funds.

3 So maybe, and I'm certainly not putting  
4 words in Jerry's mouth, is maybe that was what was  
5 envisioned as residing at Franchise.

6 MS. CONNELL: Is that correct? Seems to  
7 me he's talking about taking over the SACS system.

8 MS. ALEXANDER: Can I ask you a question?

9 MS. CONNELL: No. I would like to get an  
10 answer to my question first. Mr. Goldberg.

11 MR. GOLDBERG: The discussions, and again  
12 I want to emphasize that they are very preliminary,  
13 so what actually ultimately ends up being  
14 recommended, I have at this point obviously no way  
15 of knowing. But we have been involved with  
16 discussions that would have us involved in  
17 developing the case registry, the state  
18 distribution system or the information system known  
19 as the SDU, as well as the case management system.

20 MS. CONNELL: So he would be basically  
21 replacing SACS?

22 MR. CORDINER: It sounds like that the  
23 statewide automated system, whatever it's  
24 eventually called, yeah. Sounds like from those  
25 components, that pretty much encompasses all of  
26 it.

1           MR. GAGE: I should just say, Madam Chair,  
2 in the interest of helping to clarify that, as  
3 Mr. Goldberg has indicated, these discussions have  
4 been at a staff level. The governor has made no  
5 decision at this point as to what his preference  
6 would be as to how to proceed.

7           And I don't know whether the authors of  
8 the bills that relate to this particular issue have  
9 made decisions as yet either.

10           The discussions are ongoing, and the  
11 question will be identifying the appropriate entity  
12 to move forward with what is really a critical  
13 component of the child support system, and that is  
14 the automation system.

15           As you know, we're under the gun from the  
16 federal government. We face significant financial  
17 penalties associated with delay with the failure of  
18 a SACS system and with delay in terms of creating a  
19 new SACS system, so it's obviously an issue of  
20 utmost importance to the administration. And  
21 hopefully within the next several weeks, we'll be  
22 able to put together a proposal that makes sense.

23           MS. CONNELL: Well, I think it should be  
24 of utmost importance to everyone sitting in the  
25 audience today as well because we've had a history  
26 of failing to meet our obligations of getting child

1 support to the children of California. The  
2 question that remains here is how best to do that  
3 without disrupting the current function and  
4 responsibility of the Franchise Tax Board.

5 MR. GAGE: Absolutely.

6 MS. CONNELL: I mean I think the reality  
7 is that the governor has an array of various  
8 departments to draw down upon. Those departments  
9 include his own Department of Information  
10 Technology and his own Department of Social  
11 Services. He has the capacity to create a new  
12 agency which he had talked about I know during  
13 earlier months in this discussion of child support.

14 MR. GAGE: Correct.

15 MS. CONNELL: That is certainly a third  
16 vehicle. Any of those three appear to be more  
17 appropriate, given the ongoing obligation of the  
18 FTB to perform its primary function of collection  
19 of income taxes and bank and corporation taxes.

20 I just do not understand how we could be  
21 openly talking, Mr. Goldberg, about anything that  
22 would put this board into the center of a failed  
23 system where there's already a \$4.3 billion fine  
24 outstanding against the state. Why we would want  
25 to move into that foray when we have neither the  
26 knowledge of the program, the business expertise,

1 or the technical expertise to do so, is beyond my  
2 understanding.

3 MR. GOLDBERG: I don't think anyone  
4 with whom I have spoken has -- would say that  
5 they're exactly ready to volunteer to take on this  
6 task.

7 MS. ALEXANDER: Seems to me that the --  
8 this discussion can only be speculation. There's  
9 no proposal to discuss at this point. And there's  
10 no -- I think Mr. Gage has answered my question;  
11 there's no legislation, there's no budget proposal.

12 MS. CONNELL: Well, but there is  
13 discussion. And since the meeting today is to try  
14 to determine what the role will be of the FTB, I  
15 must tell you as the person who chairs this board  
16 and who will continue to chair this board over the  
17 next few years when implementation will indeed be  
18 an issue here, I am very concerned that we  
19 understand where the direction of this may flow.

20 It is one thing to have the FTB playing an  
21 expanded role in collection. It's quite another  
22 thing for the FTB to broaden its role outside  
23 collection and do what has never been its primary  
24 function here at the board.

25 If those conversations are occurring, we  
26 need to be briefed on them as board members, and we

1 certainly want to be kept abreast of those  
2 conversations, Jerry.

3 And let me just indicate today publicly,  
4 that as those conversations occur, it's important  
5 to keep the board members informed individually and  
6 as a board as to what is occurring in those  
7 conversations.

8 This is a much broader issue than just the  
9 collection activity of the FTB.

10 Now, in regards to going back to the chart  
11 which was presented here today, the way we  
12 currently run our computer-based programs at the  
13 FTB are through a PC platform. We are using a PC  
14 with I think a computer program that is known as  
15 Fox --

16 MR. VRANNA: The child support system is  
17 run on a system known as engine Fox Pro.

18 MS. CONNELL: Yes, Fox Pro is the current  
19 system.

20 Now, if we are going to go from 500,000  
21 cases to 900,000, and we're going to go from a  
22 moment in time when we run the case to a more  
23 expanded in-perpetuity system, we obviously are  
24 going to have to go to a main frame system.

25 Now, it's my understanding that the  
26 proposal here is to attach this to the ARC system.

1 For those people in the audience, the ARC system is  
2 a system which is being created right now as we  
3 speak, to try to take our PIT system which is the  
4 personal income tax system and make it available on  
5 this larger automated basis.

6 The board gave direction to the department  
7 to begin this transition process some time ago.  
8 And its completion date I think is scheduled for  
9 February or March of the year 2,000 for the PIT  
10 part of the system, and then we were going to bring  
11 on bank and corporation taxes following bringing on  
12 the PIT system.

13 Now, in what way would that system be  
14 jeopardized by the introduction of needing to  
15 borrow on the technology of the ARC system for  
16 child collection?

17 MR. VRANNA: During initial -- well, it's  
18 a client server base system, the ARC system.  
19 During an initial analysis, we thought we would  
20 have to delay the PIT implementation for  
21 approximately three months.

22 As it turns out, based on further review  
23 of when we would actually begin the developmental  
24 effort, the personal income tax ARC system would  
25 not be affected at all. Would not be affected at  
26 all.

1           The bank and corporation collection system  
2 is already on essentially the kind of technology  
3 that we're talking about right now. We're simply  
4 on an older version.

5           Our plan was after the personal income tax  
6 PIT collection system was done, we were simply  
7 going to convert the B&C, bank and corporation  
8 collection system, to the newer platform. It  
9 doesn't really affect the overall productivity of  
10 collecting bank and corporation taxes at all.

11           It essentially becomes a cueing issue as  
12 to when we would do it. Our plan now is, if this  
13 legislation is enacted and we're asked to take this  
14 on, we would essentially clone the system we're  
15 talking about and make it available for child  
16 support purposes, for two reasons. One is of  
17 course volumes as you suggested, but two, the kinds  
18 of actions we would be taking as we were describing  
19 up there are more involved and so we would need  
20 that system to do it.

21           MS. CONNELL: What would that do to bank  
22 and corporation taxes going onto the ARC system?

23           MR. VRANNA: It would have no impact in  
24 terms of revenue generation from our current  
25 activities.

26           MS. CONNELL: No. I'm asking when we

1 would get bank and corporation taxes on the ARC  
2 system? Would you delay getting bank and  
3 corporation taxes on the ARC system?

4 MR. VRANNA: Yes. On the newest version  
5 of the platform, yes. We'd do it after the child  
6 support process.

7 MS. CONNELL: So you would delay bank and  
8 corporation taxes for three years?

9 MR. VRANNA: 18 months.

10 MS. CONNELL: Well, I understand it's a  
11 three-year transition program for child support.

12 MR. VRANNA: If I can answer.

13 MS. CONNELL: Yes.

14 MR. VRANNA: It is a three-year process.  
15 As you see here, the actual developmental effort  
16 for the new collection system begins at about  
17 January 1 the year 2,000. It would end on January  
18 1st, the year 2,001. So that process is 18  
19 months. That process is essentially 18 months.

20 In terms of moving cases over to the new  
21 collection system and transitioning to the counties  
22 to this new collection system, that process would  
23 almost begin immediately as we would begin to take  
24 cases earlier and perhaps not refer cases back to  
25 the counties. After the new system is in place,  
26 there would be another 18 months to logically bring

1 all of the counties' cases on the new system.

2 From a technology perspective, we would be  
3 transitioning the B and CP's onto the new ARC  
4 programs around January 1st, 2,001.

5 The only point I wanted to stress was bank  
6 and corporation collections was the first system  
7 put on essentially this new platform with all this  
8 new functionality. We're simply moving it from an  
9 older generation to a newer generation. That's  
10 what's being delayed if we introduce child support  
11 into the mix and do that after we do the personal  
12 income tax.

13 MS. CONNELL: So would you start the bank  
14 and corporation tax transition to the ARC system  
15 when?

16 MR. VRANNA: Beginning about January the  
17 year 2,001.

18 MS. CONNELL: But your other ARC system  
19 will not be completed for 18 months. Are you  
20 saying the technology is going to be completed in  
21 12 months? Assuming you start this in January of  
22 2,000, how long will it take you to convert the  
23 child support system off the PC platform?

24 MR. VRANNA: 18 months.

25 MS. CONNELL: 18 months. So you won't be  
26 finished until July 1 of 2,000?

1 MR. VRANNA: I'm sorry, July 1, 2,001. I  
2 misspoke.

3 MS. CONNELL: So you wouldn't begin to do  
4 the bank and corporation taxes until July 1, 2001?

5 MR. VRANNA: That's right.

6 MS. CONNELL: So we would basically be  
7 telling the business community we're delaying for  
8 18 months the service we've already indicated we  
9 would provide.

10 MR. VRANNA: I'd characterize it this  
11 way. That the services we're providing, the kind  
12 of functionality that is with the system will not  
13 change when we convert it over to a new platform.  
14 What we're talking about is rather than managing  
15 collection systems on multiple platforms, putting  
16 it on one platform. The functionality that exists  
17 in terms of the collection system in the current B  
18 and C system will not fundamentally change.

19 MS. ALEXANDER: Is that for our  
20 convenience or does it have an impact --

21 MR. VRANNA: Doesn't have an impact. It  
22 will be transparent to taxpayers who contact us,  
23 get assistance from us in working out resolutions.  
24 It's simply the point of managing the system on a  
25 common platform versus going from an older to a  
26 newer version.

1 MS. CONNELL: So we're saying that if we  
2 go the route of the ARC system being the vehicle  
3 for moving from the PC platform to a main frame,  
4 that we will be delaying bank and corporation tax  
5 movement to the ARC system until July 1, 2,001.  
6 And then how much time will it take to get bank and  
7 corporation tax system on the ARC system?

8 MR. VRANNA: That's about a three-month  
9 process.

10 MS. CONNELL: So sometime in 2,001. So  
11 we're basically delaying 18 months the bank and  
12 corporation movement to accommodate taking the  
13 technology and cloning it, to use your words,  
14 Mr. Goldberg, to be used for child support. So  
15 that is one -- that's one ramification of this new  
16 responsibility of the FTB?

17 MR. GAGE: But, John, what I hear you  
18 saying is there's no change in terms of the  
19 functionality of the bank and corp ARC system in  
20 the meantime.

21 MR. VRANNA: That's correct. It won't  
22 change the kind of assistance we provide to  
23 taxpayers, won't affect taxpayer assistance. Won't  
24 affect our ability to generate and manage  
25 taxation. It's the more intelligent way to manage  
26 your systems on one platform versus multiple

1 platforms.

2 MS. CONNELL: It integrates the system,  
3 which is one of the recommendations I think of the  
4 DeLoitte-Touche audit as well.

5 Now, what are the costs that we are  
6 looking at in terms of this system? And do we feel  
7 we're going to be fully compensated by the  
8 legislation to handle these additional costs?

9 MR. VRANNA: We'd certainly hope so. For  
10 it to make sense, the cost of on -- an ongoing  
11 basis for what we were talking about this morning  
12 is approximately \$7 million a year. And we're  
13 talking about adding approximately 120 positions to  
14 the Franchise Tax Board's budget, is what we would  
15 propose.

16 Most of that would be in making outbound  
17 phone calls and handling more inbound phone calls  
18 from taxpayers, but there's a small contingent to  
19 support these activities. This component, if  
20 memory serves, is in the neighborhood of two parts,  
21 hardware-software, additional hardware-software  
22 kinds of things you would have to buy. Larger  
23 printers, as well as a component to do the personal  
24 services piece, I think that's in the neighborhood  
25 of \$5 million. I think it's split pretty equally,  
26 about two-and-a-half million dollars each.

1 MS. CONNELL: So the \$5 million cost would  
2 be a one-time capital cost.

3 MR. VRANNA: Five or six million dollars.

4 MS. CONNELL: And the seven-and-a-half  
5 million, is that the right number that you just  
6 used?

7 MR. VRANNA: Ongoing cost.

8 MS. CONNELL: That's an annualized cost.

9 MR. VRANNA: Ongoing cost would be in the  
10 neighborhood of \$7 million.

11 MS. CONNELL: And we would be hiring how  
12 many additional people?

13 MR. VRANNA: 120.

14 MS. CONNELL: 120 people. These would be  
15 basically what level of staff?

16 MR. VRANNA: Compliance representatives.  
17 Professional collection staff would be making the  
18 outbound contacts we talked earlier, handling the  
19 inbound contacts with taxpayers and supporting  
20 these system activities, plus some additional  
21 cashiering activities.

22 MS. CONNELL: I think I understand what  
23 we're talking about in terms of current  
24 legislation. Thank you. That's been helpful.

25 Let's go back if we can then to a  
26 discussion of this potential expanded role for the

1 FTB beyond the child care support collection role  
2 to the role where we would take over the  
3 responsibility for the SACS system.

4 Have you done any work, Jerry, and offered  
5 any analysis to the governor's office or to others  
6 in relationship to what impact that would have on  
7 the FTB?

8 MR. GOLDBERG: No, we have not.

9 MS. CONNELL: Are you intending to be able  
10 to do that kind of analysis?

11 MR. GOLDBERG: We would expect to have to  
12 do that in a bill analysis should this become a  
13 part of the bill.

14 MS. CONNELL: What do you see as some of  
15 the risks that might be involved in that kind of  
16 proposed responsibility?

17 MR. GOLDBERG: The fundamental risk of  
18 course is can we bring up the system. Obviously  
19 SACS was a failure, so the system is enormous; it's  
20 very complex. So that would be number one.

21 Number two, could we bring it up timely.  
22 And then of course you do have the issues that  
23 you're alluding to, namely what would its impact be  
24 on our -- on tax collections generally and tax  
25 administration generally. And clearly there will  
26 be an impact. Clearly we will have to postpone

1 some activities that we'd otherwise probably do in  
2 that period.

3 MS. CONNELL: What would those activities  
4 be?

5 MR. GOLDBERG: Those, they primarily of  
6 course would be in the technology arena. I will  
7 ask actually Ralph Schumacher to speak to those.  
8 But if you would.

9 MR. SCHUMACHER: Madam Chair, members of  
10 the board. Given the fact that we will have  
11 specific legislation in front of us that scopes out  
12 how large and the scope of ultimate  
13 responsibilities, it's would be very difficult. I  
14 can only give you general, general idea of what we  
15 had when our strategic planning time line and what  
16 might be potentially impacted if we were to get  
17 this kind of responsibility.

18 We all know it's a major and it's going to  
19 be a daunting task.

20 MS. CONNELL: Why is it that FTB would be  
21 better qualified to do this than the Department of  
22 Information Technology which is at the state  
23 level. The residual role of information technology  
24 resides in the Department of Information  
25 Technology. Why would we go from an agency whose  
26 singular responsibility is information technology

1 systems, to a tax agency to create this program?

2 MR. GOLDBERG: I don't think we're in a  
3 position to evaluate the alternatives, whether it's  
4 Do It, the Department of Information Technology,  
5 whether it's Department of Social Services, whether  
6 it's the new department that might be created under  
7 a --

8 MS. CONNELL: I was just wondering why.  
9 You're an information technology person. What  
10 expertise does the FTB bring to this equation that  
11 would not reside in Do It?

12 MR. SCHUMACHER: Trying to be objective,  
13 the only thing I can think of is that we do have a  
14 successful track record in technology  
15 implementations.

16 MS. CONNELL: And Do It does not?

17 MR. SCHUMACHER: Do It's charter --

18 MS. CONNELL: It's not encouraging.

19 MR. SCHUMACHER: Well, Do It's charter  
20 doesn't include actual implementation. They  
21 provide a leadership and policy role.

22 MR. GAGE: I think Do It is essentially a  
23 control agency as it relates to information  
24 technology as opposed to a provider.

25 MS. CONNELL: Would you be doing this  
26 in-house or would you be contracting out?

1           MR. SCHUMACHER: We would attempt to use,  
2 based on what we know now, we would attempt to use  
3 the performance-based contracting methods that  
4 we've developed for revenue systems that have been  
5 successful. We've implemented four systems now  
6 successfully. And with measurable benefits. We  
7 would attempt to use that same model, but again,  
8 this is not a revenue system, and the performance  
9 measures will be different.

10           MS. CONNELL: In fact this is a case  
11 management system.

12           MR. SCHUMACHER: Exactly.

13           MS. CONNELL: And we have had no  
14 experience with case management, Mr. Goldberg, so I  
15 get back to my question. If this agency has had no  
16 experience with case management, why we would be  
17 creating a case management IT system from scratch  
18 when an agency that has experience in case  
19 management, the Department of Social Services, has  
20 taken on this responsibility appropriately, I might  
21 add, and failed?

22           What makes us think that we have the  
23 residual capacity in this department to take on  
24 case management, to do something which the agency  
25 which has knowledge of the core business has failed  
26 in?

1           I mean I did not want the children of  
2 California and local government to be put in a  
3 position again where another state agency fails and  
4 flunks the test of being able to put a  
5 computer-based system together. And I certainly  
6 don't want it to happen under my leadership at the  
7 FTB.

8           I do not want to have the expectation out  
9 there in the counties of California and among child  
10 advocacy groups that the FTB can move into a system  
11 where we have no knowledge of the program, no  
12 experience in case management, and accomplish what  
13 an agency that had case management and knowledge of  
14 the program failed to do.

15           I mean the three things, according to any  
16 technology expert, that is needed for a successful  
17 system are business knowledge, technical expertise,  
18 and core experience. Now, we don't have two of the  
19 three. And we may -- inarguably, not have any of  
20 three as it relates to this particular program.  
21 How could we be contemplating this?

22           MR. GOLDBERG: Once again, I'll come back  
23 to what I said earlier. We're not exactly  
24 volunteering to take this on. We have been asked  
25 to participate in discussions. Certainly I'd be  
26 the last person to feel badly if we did not get

1 this responsibility placed upon us.

2 My concern is it may be hoisted upon us  
3 through legislation, and we not have any  
4 involvement in the development of the legislation.  
5 That would even be worse than it being hoisted upon  
6 us at least with our having a role in developing  
7 the legislation.

8 I certainly concur with you, we don't have  
9 the business knowledge. We don't have the, if you  
10 will, the case management experience. We would  
11 certainly have to rely on others to provide it.  
12 Other -- others, excuse me, being from outside the  
13 department, whether they be currently at DSS or  
14 consultants from the private sector.

15 But we've become very dependent upon them  
16 to provide that business expertise. That is  
17 something that is very different than what we  
18 currently do in our tax systems where we do in fact  
19 have that expertise in-house.

20 With regard to the IT knowledge, again, we  
21 would anticipate that we would have contracts with  
22 vendors to provide that just as we might well have  
23 contracts with vendors to provide the business  
24 expertise.

25 MS. CONNELL: Well, Mr. Goldberg, if we're  
26 contracting with the world to develop both the

1 business expertise and the technology expertise,  
2 what do we bring to the table other than a role to  
3 contract?

4 MR. GOLDBERG: I think what I am hearing  
5 is that there is great regard for our past success  
6 with regard to bringing up tax systems. They feel  
7 that we have an expertise as a consequence of that  
8 in overall project management of large IT projects,  
9 which is what this is. So it is felt that in  
10 looking around the state, that we may be the best  
11 entity to possibly do that. That certainly is my  
12 take on why we are being asked to possibly take  
13 this on.

14 MR. GAGE: I think it fundamentally is a  
15 credit to FTB's competence as Mr. Goldberg has said  
16 in bringing up these tax systems previously.

17 MS. CONNELL: Well, unfortunately we want  
18 to make sure those competencies remained focus.  
19 That is why we have been successful.

20 We have a number of technology projects  
21 that are moving forward that we have made  
22 commitments to the people of California to achieve  
23 so that they can file their taxes electronically,  
24 so they can file their taxes on Internet, so that  
25 we stay current with some of the issues that are  
26 out in there front of us on the tax side.

1           I mean if you look at our rating across  
2 the country, we are not exactly in the top ten of  
3 tax collection agencies across the country, and  
4 some of these technology issues even now, according  
5 to the magazines available, so we want to keep on  
6 striving to do what we can do in our own tax arena  
7 without taking on additional responsibilities.

8           Doug, did you have anything else you want  
9 to do before we move into the other discussion?

10          MR. CORDINER: No.

11          MS. CONNELL: I'd like to move if we  
12 could, then, into a discussion on the overview of  
13 the senate bill.

14          We're going to start with the senate bill,  
15 Senator Burton's bill and Assemblywoman's Kuehl's  
16 bill. And we wanted to discuss the effect those  
17 bills have.

18          And I think we should start with  
19 Jodi Remke from the senate judiciary committee.

20          I'm going to ask everyone to come up as a  
21 panel if we could.

22          Donna, I hope I'm not ruining your name.

23          MS. HERSHKOWITZ: Hershkowitz.

24          MS. CONNELL: Hershkowitz, from the  
25 assembly judiciary committee. Thank you for being  
26 with us.

1           And Leora Gershenzon from the National  
2 Center for Youth Law. Nora O'Brien from the  
3 Association for Children for Enforcement of  
4 Support. And Bill Otterbeck from the Family  
5 Support Director of the California District  
6 Attorneys Association.

7           And I apologize for our delaying this. I  
8 assure you we will work through the lunch hour so  
9 that all of you can have an opportunity to address  
10 this board.

11           Hopefully you found the discussion today  
12 as illuminating as we have as board members and get  
13 a sense of where this context of child support  
14 reform legislation may be going.

15           Why don't we start with you Jodi if we  
16 could.

17           MS. HERSHKOWITZ: I'm Donna Hershkowitz  
18 from Assemblywoman Kuehl's office assembly  
19 judiciary committee.

20           Jodi wanted me to offer her  
21 apologizies. Something came up this morning. She  
22 was unable to attend. However, the Burton and  
23 Shift Bill, SB 542, is at this point identical to a  
24 Assemblywoman Kuehl's AB 196.

25           MS. CONNELL: Some people in the back are  
26 not hearing you, Donna. Is there a problem with --

1 can we -- thank you. Can we try to raise your  
2 microphone level so that -- okay. Let's try again.

3 MS. HERSHKOWITZ: As I was saying, Jodi is  
4 unable to attend. She wanted me to talk on her  
5 behalf.

6 The two bills are at this point identical,  
7 so any types of questions that you might have that  
8 would refer to the Burton and Shift bill would  
9 equally refer to Assemblywoman Kuehl's bill.

10 I had a couple of notes of things I wanted  
11 to say, but Mr. Goldberg and Mr. Vranna pretty much  
12 explained what the bills do and don't do with  
13 regard to activities, collection of delinquencies.  
14 So I want to review it a little bit.

15 What is clear is that the Franchise Tax  
16 Board has had some pretty good successes in the  
17 collection of child support since the program  
18 started.

19 Just in the past few years, for fiscal  
20 year '97-'98, collected about \$63  
21 million. '98-'99, collected about \$68 million.  
22 This was support that wasn't being collected at the  
23 county level, was successfully collected by the  
24 Franchise Tax Board when the delinquency was  
25 referred to them.

26 Building on those types of successes,

1 Assemblywoman Kuehl, who was actually part of the  
2 package of legislators who put together the  
3 requirement that we currently refer cases that are  
4 90 days delinquent, she said, you know, "I want to  
5 capitalize on that." FTB has as part of their core  
6 competency the collection of monies. And they have  
7 demonstrated the success in collecting child  
8 support. What can we do to enhance that efficiency  
9 in collecting child support, to enhance collections  
10 of child support, while at the same time focusing  
11 the efforts of the local child support agencies on  
12 what is within their core competencies, which is  
13 not collection of support. It's not what they do.

14 These child support bills are major  
15 structural reform bills. They do various things  
16 such as creating a new department of child support  
17 services that would be responsible for running the  
18 child support program as opposed to DSS.

19 There's a transfer of responsibility at  
20 the local level from the district attorney's  
21 offices to new local child support agencies. That  
22 is, those types of things are the major crux of  
23 this legislation.

24 We have recognized the need for major  
25 structural reform of the system. As a piece of  
26 that, one of the things that Assemblywoman Kuehl

1 and Senators Burton and Shift saw as a way to put  
2 the whole picture together, to further the  
3 structural reform that they've set out, is to  
4 enhance and increase the effectiveness of the  
5 Franchise Tax Board in their collection abilities.

6 So what the bill does is, once -- says  
7 once a case is 60 days delinquent as opposed to the  
8 current 90, that case gets transferred to the  
9 Franchise Tax Board for collection of that  
10 delinquency.

11 Now, we've been working with the FTB staff  
12 to further define the terms in the bill to make it  
13 clear that the case management responsibility will  
14 always reside with the local child support agency.  
15 That's what they do. That's in their core  
16 competency. That's what they know how to do.

17 It is not something that we need to give  
18 to the Franchise Tax Board. It's not something  
19 that will necessarily enhance the Franchise Tax  
20 Board's ability to collect the support.

21 Case management will continue to reside  
22 with the local child support agency.

23 Accounts receivable management is what the  
24 Franchise Tax Board will do under this bill, under  
25 the refined language. And I think that's really  
26 important for us to all understand.

1 MS. CONNELL: Now, I appreciate the  
2 authors, both Senator Burton and Assemblyman Kuehl  
3 have been sensitive to the timing issues and have  
4 pushed back, as I understand, the time of  
5 implementation to July 1, 2,001, for full  
6 implementation of this bill. Is that still the  
7 date?

8 MS. HERSHKOWITZ: The understanding is  
9 that it would take -- that the ARC system would be  
10 accessible for the use of child support as of  
11 July 1, 2,001. And so it would be those enhanced  
12 child support delinquency collection activities  
13 that would quick in on that date.

14 There is a three-year phase-in that's set  
15 up in the bill to phase in referral of all cases  
16 that are now at 90, to push that earlier to the 60  
17 days. And so the FTB would, again, through the  
18 refined language that we're working out with staff,  
19 but sort of in connection with the new department  
20 of child support that is responsible for running  
21 this program, they would set up a manageable system  
22 for how those cases would transition over to the  
23 Franchise Tax Board based on, among other things,  
24 what the transition at the local level from the  
25 district attorney to the new child support agency  
26 would look like. So we're not doing too many

1 transitions to make it too unwieldy. Trying to  
2 coordinate all that activity together.

3 MS. CONNELL: Donna, what is envisioned in  
4 the bill now in terms of this child support  
5 agency? When would the authors like to see that  
6 agency in place ideally?

7 MS. HERSHKOWITZ: The state agency or at  
8 the local level?

9 MS. CONNELL: The state agency.

10 MS. HERSHKOWITZ: The state agency, the  
11 bills envision a new state agency created as of  
12 January 1, 2,000. And there is essentially a year  
13 that's given in the bill, in both of the bills for  
14 that state agency to start coming up with all of  
15 the new forms and the practices and the procedures  
16 and understanding, creating basically the strategic  
17 plan and the vision that you were talking about  
18 before that seems to be lacking.

19 MS. CONNELL: Excellent. So that would be  
20 in that agency?

21 MS. HERSHKOWITZ: Yes.

22 MS. CONNELL: That's very reassuring.  
23 Now, that would be online, then, we would assume  
24 maybe by 2,001; we would have an agency that might  
25 be able to deliver a strategic plan?

26 MS. HERSHKOWITZ: Absolutely.

1 MS. CONNELL: And they would then be part  
2 of this triangle I spoke about earlier. They would  
3 provide the strategic plan; the local agency would  
4 provide some case management activity and intake;  
5 and we at the Franchise Tax Board would be able to  
6 do the collection activity.

7 MS. HERSHKOWITZ: Right. And it's very  
8 important to understand that under federal law, we  
9 are required to have a single statewide agency  
10 responsible for running the child support program.  
11 And under under this, these bills, that agency  
12 would be this new department of child support  
13 services.

14 That department is the one that would tell  
15 the locals, "This is how we're setting up the  
16 program, this is what we need to do to create the  
17 kind of uniformity at the local level which is not  
18 existing now."

19 That department would be responsible for  
20 helping FTB understand what the business practices  
21 and the business policies are of running -- of  
22 child support. FTB would not be running a piece of  
23 the program. They would be working in cooperation  
24 with the new department because that is the single  
25 statewide child support department that the federal  
26 government requires us to have.

1 MS. CONNELL: Excellent. Now, where would  
2 that be housed? Is that housed by itself, or is it  
3 in the department --

4 MS. HERSHKOWITZ: It's in the Health and  
5 Human Services Agency.

6 MS. CONNELL: So that it would separate  
7 from the Department of Social Services?

8 MS. HERSHKOWITZ: Yes.

9 MS. CONNELL: Good. So we'll finally have  
10 a child advocacy agency as I've been speaking  
11 about. We could view it, we'd hope it becomes a  
12 child advocacy agency.

13 Would it have any functions besides child  
14 support?

15 MS. HERSHKOWITZ: It is set up as a child  
16 support services agency.

17 One of the problems I think that we've  
18 noticed over the years is DSS has so many  
19 responsibilities. You know, they run Cal Works.  
20 There are just so many things.

21 And child support, one, needs to be a top  
22 priority for the state. There are more children  
23 that are affected by California's Child Support  
24 program than any other state program with the  
25 exception of the public schools.

26 It needs to be a priority. It needs to be

1 something that we devote sufficient staff, time,  
2 resources, thought, and energy to. And as such, we  
3 need to give it a department that is focused as its  
4 sole mission, sole responsibility, on the delivery  
5 of child support services.

6 MS. CONNELL: Donna, maybe you can't  
7 answer this question, but is there any thinking in  
8 the legislature as to what we do about this large  
9 proportion of the base which is very discouraging  
10 that are not getting any support, the 70 percent?

11 MS. HERSHKOWITZ: Well, what we are trying  
12 to do is --

13 MS. CONNELL: Does your a bill address  
14 that in some way?

15 MS. HERSHKOWITZ: Well, one of the -- are  
16 you talking the 70 percent who you've been saying  
17 don't pay taxes?

18 MS. CONNELL: Yeah, the 70 percent who we  
19 don't seem to be able to help identify a source of  
20 income for.

21 MS. HERSHKOWITZ: Well, I think part of  
22 the problem in the past has been the lack of  
23 overall ability to identify assets and income where  
24 maybe it does exist. I mean that we have seen  
25 under the current running of the child support  
26 program.

1           I mean we have seen cases where, for  
2 example, you can't even get a support order in  
3 place because the -- for some reason, the  
4 noncustodial parent is unable to be located by the  
5 agency that's trying to establish the order.

6           But if you were to ask the custodial  
7 parent, he or she would tell you exactly where that  
8 person lives. And that information isn't being  
9 followed up on.

10           What we're trying to do by creating this  
11 new state agency which demands uniform practices  
12 and procedures is set up a system whereby we have  
13 figured out what is the best approach to use to  
14 start implementing the many enforcement mechanisms  
15 we have.

16           What is it that is an effective way of  
17 collecting money? What is it that isn't an  
18 effective way of collecting money? Is it the  
19 threat of criminal prosecution, or is it not the  
20 threat of criminal prosecution?

21           MS. CONNELL: So you will provide, as the  
22 auditor referenced, I don't know if he's still  
23 here, the fact that we really need to do some of  
24 this, as I call it, data management activity so  
25 that we begin to understand what is the most  
26 effective practice out there in the community and

1 hopefully replicate it with some kind of  
2 expectation at the state level and an ability to go  
3 back and create a performance measurement and  
4 evaluate whether or not we're getting the kind of  
5 compliance that we want.

6 MS. HERSHKOWITZ: Absolutely. The bill  
7 sets forth performance measures that the department  
8 is supposed to develop, realistic performance  
9 measures, so we can assess what yardstick we should  
10 be measuring programs by. What is collectable,  
11 what is not collectable, and how do we go ahead and  
12 achieve it.

13 The bills also require the new department  
14 to do a study of the best practices statewide and  
15 nationwide to figure out what works and what  
16 doesn't so we can set up that priority system I was  
17 just talking about.

18 MS. CONNELL: Excellent. Are there  
19 questions or comments by members?

20 MR. GAGE: No, thank you.

21 MS. ALEXANDER: No. Thank you very much.

22 MS. CONNELL: That's really very  
23 encouraging. Thank you, Donna.

24 Leora? Sorry, I don't recognize  
25 everyone's face. I'm sorry, Leora.

26 MS. GERSHENZON: I'm Leora Gershenson with

1 the National Center for Youth Law.

2 MS. CONNELL: Again, can people hear in  
3 the back? Having a little problem with the caring  
4 of the microphone here, if you can adjust it. If  
5 you can continue.

6 MS. GERSHENZON: I'm Leora Gershenzon  
7 again with the National Center for Youth Law. I  
8 want to thank you very much for holding this  
9 hearing on this very crucial --

10 MS. CONNELL: That was not exactly an  
11 improvement.

12 MS. GERSHENZON: -- children's issue.  
13 Obviously people are paying close attention.

14 As Donna has explained and as the FTB has  
15 explained before, the goal of the legislation is to  
16 build upon the core competence of the agencies in  
17 question, is to create an agency whose sole  
18 function is collection of child support. That  
19 would be the new State Department of Child  
20 Support. Put them in charge of the entire program,  
21 insure that each local county has a child support  
22 agency again that does one thing, that reports  
23 directly to the state agency with vision. And then  
24 see what FTB can do.

25 FTB brings unique things to the table that  
26 they no one else has. They are the collection

1 experts in the state. In addition, they can  
2 collect uniformly across the state. And right now  
3 particularly without an automated system, we have  
4 been unable to collect easily from one county to a  
5 next.

6 FTB has a unique and important role as  
7 part of the child support overall program. Again,  
8 their role is to assist the state and local  
9 agencies. It is not to replace them.

10 And one of the things the legislation is  
11 attempting to do is try to streamline the process  
12 so we don't have overlap. Today there is indeed  
13 overlap. The FTB may do some things and then  
14 transfer the work back to the county and cases come  
15 back and forth. This makes no sense.

16 And what the bills are trying to do is  
17 create a system that works statewide that is much  
18 more effective and much more uniform than it is  
19 today and has increased efficiencies.

20 On one note about how we may be able to  
21 improve collections. I was just looking at the  
22 report which you referred to as showing 70 percent  
23 of the families today cannot pay support. It  
24 doesn't say, if I'm reading the methodology  
25 correctly, what it says is that when California's  
26 child support case load was compared with the

1 federal --

2 MS. CONNELL: You're referring to the  
3 state auditor's report.

4 MS. GERSHENZON: Actually I was referring  
5 to the FTB's report. When compared with the tax  
6 returns for California taxpayers, we come up with  
7 something like roughly a 48-percent match in terms  
8 of numbers. So roughly 48 percent of the  
9 California case load that was delinquent matches to  
10 a federal tax return for the State of California.

11 What this doesn't include is the taxpayers  
12 outside of the State of California. By the federal  
13 Office of Child Support's estimate, roughly  
14 one-third of cases are intra-state case.

15 One of the unique things about FTB is they  
16 tie into collection agencies in other jurisdictions  
17 outside of California, and we may be very, very  
18 pleasantly surprised when the bills come to  
19 fruition, when we have the system reform; we may  
20 see increased collections significantly more than  
21 participated due to a much more effective  
22 intra-states collection system.

23 MS. CONNELL: Leora, let me ask you, it  
24 seems to me that a lot of our ability to be  
25 effective, and hopefully, you know, the numbers are  
26 more than what we initially think they are, is

1 going to do be based on the cooperation of the  
2 counties and whoever exists at the county level.

3 And I guess my concern is, how can we  
4 encourage the counties to be cooperative? Because  
5 if the FTB hits resistance in attempting to do its  
6 work, then the goals that we have all set are not  
7 going to be achieved.

8 So I guess my question is, what is the  
9 risk of that happening? And what would you propose  
10 that we make sure we do at the FTB to try to  
11 mitigate that so that we don't have a situation  
12 where we're doomed to failure because we don't have  
13 a receptive county partner. We really need a  
14 partnership here.

15 MS. GERSHENZON: Absolutely. One of the  
16 big differences of the world after this legislation  
17 and the world before this legislation is the  
18 accountability of the program and the ability of  
19 the state to run the program.

20 Until today, the state could try to send  
21 out directives. And as we know from the auditor's  
22 report, some counties could follow them, some  
23 couldn't.

24 One of the things in terms of trying to  
25 get good data was, Senator Burton actually authored  
26 legislation two years ago to require the counties

1 to provide accurate, consistent data so we could  
2 begin to figure out what was going on in the  
3 counties, and that still hasn't been complied  
4 with.

5 Under the legislation, the counties would  
6 no longer be this sort of -- they would no longer  
7 have the reporting structure they have today, which  
8 is a report to the district attorney who runs the  
9 program. The district attorney actually reports to  
10 the Attorney General for supervision; does not  
11 directly report to the State Department of Social  
12 Services. There were no mechanisms in place to  
13 insure we had a statewide program.

14 Under these bills, the new local child  
15 support agencies would report directly to the State  
16 Department of Child Support Services which would be  
17 setting out the direction. Here is how you do it.  
18 FTB is going to provide these services, and you  
19 counties are going to provide these services.

20 MS. CONNELL: So it would be the role of  
21 the new Department of Child Support at the state  
22 level to specify their expectations and to -- and  
23 they will hopefully have the enforcement capacity,  
24 I know you build that into the bill, they will have  
25 the enforcement capacity to in fact demand the  
26 compliance of the counties, whatever agency you

1 select at the county level, so that when we do  
2 require information and collection data, that we  
3 are receiving it.

4 MS. GERSHENZON: Correct.

5 MS. CONNELL: Because we will not be  
6 effective if that relationship is not maintained at  
7 a high level.

8 MS. GERSHENZON: Absolutely. This whole  
9 program has to be linked together, and the control  
10 and accountability has to reside at the top, and  
11 that's what this legislation proposes to do.

12 MS. CONNELL: Thank you. And thank you  
13 for expanding on that.

14 Nora.

15 MS. O'BRIEN: I'm Nora O'Brien, California  
16 ACES state director. ACES is Association for  
17 Children for Enforcement of Support. It is the  
18 largest support group in the nation as well as in  
19 California with 7,500 members and 28 active  
20 chapters in the state.

21 What I wanted to add, I had heard the  
22 70-percent figure that you quoted earlier, and my  
23 thoughts on that were that you currently have about  
24 500,000 cases in your case load.

25 What we believe is, even those cases, we  
26 don't believe that you have all of the cases that

1 are at 90 percent that are 90 days delinquent.  
2 Because there's been so little oversight provided  
3 to the counties, and holding them accountable by  
4 not sending those cases, we know as a matter of  
5 fact our membership, even though they meet the  
6 criteria, those cases are not being sent  
7 consistently. So in terms of not finding the  
8 matches, do not believe that you have all the cases  
9 that are at 90 days delinquency in the state. I  
10 wanted to make sure that was a clear point.

11 The other thing, too, I wanted to add is  
12 that you assume that the average income of the  
13 noncustodial parent in your case load is only at  
14 \$20,000. The average income of a single parent in  
15 California is \$12,000. So even if they were only  
16 able to collect just \$150 a month, which is just an  
17 additional, you know, \$1,800 in income per year,  
18 that will go a long way towards making a dramatic  
19 difference in the -- in reaching towards getting  
20 out of poverty level, so do not assume --

21 MS. CONNELL: You're using 12,000 rather  
22 than 20?

23 MS. O'BRIEN: 12,000 for the custodial  
24 parent is the average income.

25 MS. CONNELL: We need to make sure we  
26 understand those numbers as we move forward.

1 That's helpful. Thank you.

2 MS. O'BRIEN: Yes. So only \$12,000 which  
3 is not very much money. So if you're thinking  
4 \$20,000, well, that's not very much for a  
5 noncustodial parent that's earning the average  
6 income, it's far lower for a custodial parent. And  
7 do not assume just because a noncustodial parent is  
8 low income that they can't pay any support or they  
9 don't have to make efforts to pay to support their  
10 children.

11 MS. CONNELL: Nora, do you know on that  
12 \$12,000, there has been discussion that one of the  
13 problems with the noncustodial parent inability to  
14 pay or their unwillingness to pay is that that's  
15 transient labor, that they don't have a job that  
16 goes through all 12 months of the year, that it may  
17 be seasonal, that it may be part-time. What our  
18 problem is in contacting that parent is that we'll  
19 contact them, and they may not have a job in July,  
20 but they may well have a job in October through  
21 May. Has your -- can you offer us any illumination  
22 on that? Is that really an issue?

23 MS. O'BRIEN: What we look at is we look  
24 at the figures nationally in terms of, the IRS  
25 tells us that 59 percent of the population receives  
26 a paycheck. 29 percent of the population is either

1 self-employed or an under-the-table earner. And  
2 about 12 percent mental incapacitated, in prison, a  
3 much smaller number than assumed, that they can't  
4 pay support.

5 So, yeah, I believe that there are  
6 certainly noncustodial parents out there that have  
7 varying incomes. That's certainly the case. But  
8 despite the booming economy, our support has not,  
9 you know, our support collections have not  
10 increased dramatically over the years. And a lot  
11 of that has been the system breakdown.

12 What I wanted to also add is the  
13 experience of the Franchise Tax Board, we look at  
14 that because we look at Massachusetts. We have a  
15 long history of Massachusetts in 1985 that put  
16 their entire program in Franchise Tax Boards. Not  
17 certainly the scope of this bill. But their  
18 collections increased three-fold as a result of  
19 their Department of Revenue really taking a hard  
20 line in collections of support.

21 So that we looked to that, and we looked  
22 for expansion of this program, because what we'd  
23 like to see is, if the wage levies, bank levies are  
24 being handled by Franchise Tax Board, it frees  
25 resources for the tougher case and frees not just  
26 resources but also time and energy that the local

1 agencies will be spending on case management to  
2 insure that those cases are collected. Because  
3 certainly you know that you have the issues of the  
4 assets that need to be collected. You have to  
5 realize, too, that there's other efforts such as  
6 the other counties that use other enforcement tools  
7 which will still be in place such as criminal  
8 prosecution.

9 MS. CONNELL: And you do see the role of  
10 the office of child support as vital here?

11 MS. O'BRIEN: Absolutely. We think the  
12 new department will provide the accountability that  
13 we haven't had. But what's important more is the  
14 uniformity of procedure that varies from county to  
15 county.

16 And that with those uniform business  
17 practices and that more referrals to your case  
18 load, we will see that a dramatic increase in  
19 collections.

20 We have to also realize there is going to  
21 be a period of adjustment, and that we want to do  
22 everything we can to minimize the disruption of  
23 services to families.

24 We know that we're not going to see -- you  
25 know, this is the state making an investment in the  
26 program. Because once we have increase in

1 collections, we have an increase in federal  
2 incentives coming to the state as well as a  
3 decrease in state dollars being spent on welfare  
4 once the support is collected. So there is -- it  
5 is in a sense a revenue-producing program as you  
6 said. It's not, but it certainly can be if it's  
7 done well.

8 MS. CONNELL: Thank you.

9 MS. ALEXANDER: Can I ask a question? You  
10 mentioned that in another state where the  
11 Department of Revenue took over the responsibility,  
12 there was an increase in support collected, a  
13 dramatic increase. Was a lot of that due to  
14 voluntary or more cooperative --

15 MS. O'BRIEN: Most of it was done by wage  
16 assignments. That's the most effective tool.

17 MS. ALEXANDER: Is it an asset just to  
18 know, like we know that the IRS is out there, to  
19 know that the FTB is out there and that you are not  
20 going to be able to kind of weasel out of your  
21 responsibilities here?

22 MS. O'BRIEN: Absolutely. I mean we have  
23 firm faith that, I mean your role, the Franchise  
24 Tax Board's role in having that, the name on the  
25 envelope, really does make a difference in  
26 improving, in getting the collections, you know.

1 We do appreciate that.

2 MS. CONNELL: Okay. Let's see. Now, I  
3 had Bill Otterbeck next. But Bill Otterbeck is not  
4 here.

5 MR. OTTERBECK: Yes. I'm Bill Otterbeck.  
6 I'm going to defer our comments to two of our local  
7 program administrators, Stanley Trom and Peggy  
8 Jensen.

9 MS. CONNELL: Excellent. If you can just  
10 identify yourself for the record.

11 MS. JENSEN: My name is Peggy Jensen. I'm  
12 the director of the San Mateo County Family Support  
13 Division. I'm also president of the California  
14 Family Support Council which is the organization of  
15 the 58 child support directors throughout the  
16 state.

17 MS. CONNELL: Thank you for being with us  
18 today.

19 MS. JENSEN: Okay. We will be your local  
20 partners in working on child support collection.

21 MS. CONNELL: It's always nice to meet our  
22 partners.

23 MS. JENSEN: We already are your  
24 partners.

25 I have, from a local perspective, that's  
26 what I'm speaking from today, because I will

1 probably be, along with my colleague, Mr. Trom, the  
2 person at the local level who will still be  
3 involved in the child support program.

4 And we have some questions about how this  
5 program will be implemented, purely on how we're  
6 going to be able to do this successfully.

7 I have five questions, and then I have  
8 three recommendations I'd like to share with you  
9 today.

10 The first question has to do with the time  
11 frames, something you've already talked about. But  
12 as you've heard, we're going to be dealing with  
13 significant changes in a very short period of  
14 time. Over the course of about two years, we're  
15 going to be looking at implementing an automated  
16 statewide program, we're going to be looking at  
17 transferring our current program from the district  
18 attorney's office to a local agency, something that  
19 will involve a significant amount of change.

20 As Miss O'Brien said, there's going to be  
21 efforts at the state level to restructure all of  
22 our business practices to make sure we're operating  
23 in the same way, using consistent policies and  
24 procedures.

25 And on top of this, there's going to be an  
26 augmented FTB program which is going to require us

1 to take certain steps to worth with.

2 As the manager of a local program that's  
3 going to be asked to do all of this, I'm very  
4 concerned that I can do all of these things  
5 successfully within the period of time that's been  
6 laid out. I think we need to look very carefully  
7 at the time frames that are presented in the bill.  
8 I think it's highly unrealistic to expect success  
9 in every one of those areas in that time frame.

10 Second question --

11 MS. CONNELL: Could you expand on which  
12 ones you think you could be successful and the time  
13 frame within the bill and which ones you have more  
14 reluctance?

15 MS. JENSEN: Okay. Sure. I think it  
16 would be very simple because almost every county in  
17 the state with a couple of exceptions currently  
18 participates in the FTB collection program. We  
19 could start sending you, with some modifications to  
20 our computer systems, all of our cases that are 60  
21 case in arrears as soon as possible. That wouldn't  
22 be a change that would require much effort on our  
23 part. And since we already have the process in  
24 place to deal with that program, I don't think that  
25 it would be an issue.

26 Stan, do you want to -- would you agree?

1           MR. TROM: I think that's very clear, that  
2 arrears could be submitted quickly by almost all  
3 counties.

4           MS. CONNELL: Jerry, are we ready to  
5 accept the arrears? I mean if 400,000, let's just  
6 use that number because that's the number that has  
7 been used today. If 400,000 more cases came to us,  
8 are we ready to accept them, or do we need to  
9 transition to this ARC system before we accept any  
10 more cases?

11           MR. VRANNA: In fact the answer is in  
12 between. No, we're not ready to accept 400,000  
13 immediately with the capacity we have today. But  
14 also we don't have to wait until the new ARC system  
15 is up.

16           We would want to work in the counties in a  
17 rational way, dealing with our capacity and their  
18 capacity, to transition to that 60-day time period.

19           MR. GAGE: Is there any specific  
20 recommendation you'd make as to the language of the  
21 legislation that relates to the timing of the  
22 transfer of those cases?

23           MS. JENSEN: The language of the  
24 legislation.

25           MR. GAGE: Right. Does the language of  
26 the legislation speak specifically to the timing of

1 that transition?

2 MS. JENSEN: Oh, yes, it's very specific  
3 time frames.

4 MR. GAGE: Are you suggesting a  
5 modification to that?

6 MS. JENSEN: Yes I am. I am. I would  
7 suggest that we need to have a longer period of  
8 time where we transition to the new local  
9 agencies.

10 One of the things I'm very concerned about  
11 is there is a lot of change that's going to have to  
12 be taken, a lot of changes locally, and we're the  
13 ones really in all honesty in California that have  
14 the most child support expertise. And there's has  
15 not been a lot of discussion between those of us  
16 who are actually doing the work in child support  
17 and the folks that are planning all these changes.  
18 I would recommend that we take the time to plan  
19 appropriately for these changes.

20 One of the things that I would strongly  
21 recommend that be done immediately and something  
22 that I think would benefit both the counties and  
23 the Franchise Tax Board and the new state agency is  
24 a comprehensive study of who the noncustodial  
25 parents are. Who are these obligors? We need to  
26 gather data that we all can use to set realistic

1 performance measures, both at the county level, at  
2 the state level, and for the Franchise Tax Board.  
3 I would say that that's the very first thing that  
4 needs to be done.

5           Next thing that we need to do is do this  
6 evaluation of best practices, both state and  
7 nationally. You're trying to consolidate creating  
8 a new agency, imposing new policies and procedures,  
9 and evaluating best practices all at the same  
10 time.

11           You need to lay out a plan that gathers  
12 the information together, works with the folks that  
13 are going to make the changes, and then implement  
14 based upon the information you've gotten together.

15           MS. CONNELL: Well, now, the evaluation of  
16 the best practices, I'm assuming that would be done  
17 by the new Department of Child Support Services; is  
18 that what is contemplated, Donna? Is that  
19 correct?

20           MS. HERSHKOWITZ: Yes.

21           MS. CONNELL: I guess they would also be  
22 able to do the study on who the noncustodial  
23 parents are.

24           I agree with you, we've got a lot coming  
25 simultaneously. I mean you actually have the  
26 creation of the Department of Child Support which,

1 from my limited experience in government for the  
2 last four years, is a major undertaking, to create  
3 a department from scratch. You've got that going  
4 on.

5 You've got a Franchise Tax Board trying to  
6 move forward on expanding, almost doubling, maybe  
7 perhaps more than that, the amount of cases that  
8 will be taken in and maintaining more direct  
9 contact with those cases.

10 At the same time, you've got new agencies  
11 at the local level gearing up, however that is  
12 going to be contemplated and resolved long term.

13 And then you have this hanging debris out  
14 there of the child support data system which, you  
15 know, I have already argued needs to be done by  
16 someone other than FTB, but that's a fourth  
17 component that is out there.

18 All being done in the same time period.  
19 It's an extraordinary transition.

20 MS. HERSHKOWITZ: If I might comment  
21 briefly. One thing that I think we all have to  
22 understand, is that we have to do an automation  
23 project no matter what. We're under federal  
24 requirements. It will help our system. We have to  
25 do one.

26 As part of doing that automation system,

1 regardless of this legislation, we would have to  
2 figure out a single set of practices that everybody  
3 is going to be doing. We would have to do that  
4 within a pretty tight time frame in order to get  
5 the automation project underway.

6 A lot of the things that are set forth in  
7 the legislation would have been done anyway to  
8 understand what we're programming this new computer  
9 system to do.

10 MS. CONNELL: I agree. It's just a  
11 question of who does it and when.

12 MS. HERSHKOWITZ: Right. And this is all  
13 set up within the Department of Child Support  
14 Services as the child support agency responsible  
15 for these types of decisions and oftentimes in  
16 consultation with the expertise at the local  
17 level.

18 MS. CONNELL: My understanding, Donna, the  
19 legislation is currently silent about who runs the  
20 automated system at the state level. It assumes  
21 the current status quo which would be SAC.

22 MS. HERSHKOWITZ: No. AB 196 -- no.  
23 AB 196 and SB 542 are silent on the issue of  
24 automation. AB 150 is the automation bill, and  
25 that bill is authored by Assemblywoman Aroner.

26 What it assumes at the moment, I believe,

1 is that the automation system is run by the State  
2 Child Support Agency in cooperation with the  
3 Department of Information Technology. SACS, as it  
4 existed, is dead. SACS is no more.

5 MS. CONNELL: Some people have felt it  
6 dead for years, just a matter of burying it, yes.

7 MS. HERSHKOWITZ: We're not trying to  
8 revive SACS. It we're not working within the SACS  
9 environment. So when the name comes up, I think it  
10 sort of makes all of us a little queasy. So we're  
11 not talking about the SACS environment.

12 MS. CONNELL: We're going to get to the  
13 Dion Aroner bill in a moment. I didn't mean to  
14 confuse.

15 And I believe, Nora, you wanted to respond  
16 as well.

17 MS. O'BRIEN: Yeah. I just -- I mean what  
18 I wanted to say is that we know we have a lot of  
19 changes, and we do have short time frames. We're  
20 aware of that. But I mean I'd say none is better  
21 than now when we have to make a lot of changes  
22 anyway. Let's get it all over with at once in  
23 terms of looking at things with brand new eyes as  
24 we come to the new millennium. Seems a little  
25 corny, but I mean the issue is this --

26 MS. CONNELL: Just so you don't have to

1 bridge the future that we heard numerous times  
2 during the --

3 MS. O'BRIEN: Notice how I avoided the  
4 that. But the issue is this: We have to make  
5 changes. This administration is obviously -- or  
6 we're obviously at the crux of making major reforms  
7 to the program. Whether it happens this year, we  
8 certainly hope that's the case. But we've got to  
9 come to a point where we do get there.

10 So the issue is that let's make those  
11 changes. If we've got to do it, let's look at all  
12 of the pieces of the puzzle. Let's upgrade. Let's  
13 do everything we can at once rather than to do it  
14 in pieces. Why change one thing, and then two  
15 years down the road have to change it again, you  
16 know, make another change. I'd say look at it with  
17 new eyes and move, and move forward.

18 MS. CONNELL: Thank you. Now, did you  
19 want to conclude? And then we still have your  
20 counterpart.

21 We need to move forward because I know  
22 people are beginning to fade in the audience. I  
23 would suggest that you feel comfortable, step out,  
24 we have adequate, would be a fair term, cafeteria  
25 here in the building if you wanted to grab  
26 something and come back in and refresh your

1 energies.

2 Yes, go ahead.

3 MS. JENSEN: I would just like to address  
4 the point that Miss Hershkowitz made about  
5 automation driving the consistency and the single  
6 use of one form throughout the state and single  
7 procedures.

8 That's very true, but unfortunately the  
9 bills right now don't tie together the automation  
10 and the standardized procedures and processes. The  
11 time lines for both of those two tasks are very  
12 separate. And I think they need to be brought  
13 together. It's something we would very much like  
14 to see because it's foolish to start automating  
15 something without having decided what your  
16 standardized procedures are. That's the very first  
17 step that you have to take.

18 MS. CONNELL: Well, in fact you cannot. I  
19 mean my information technology person is sitting  
20 here. And if you build any program from scratch,  
21 they will tell you you need to have the business  
22 understanding and perspective. That's why I kept  
23 saying business expertise is key to creating a  
24 functioning computer-base system.

25 It's impossible to create the system or  
26 you would end up spending extraordinary amounts of

1 time and money. And I think that FTB is signaling  
2 I'm correct here, unless you have an understanding  
3 going in as to what you want that computer system  
4 to do. What data needs to be retrieved, in what  
5 fashion is it going to be retrieved, and more  
6 importantly how is it going to be used. The access  
7 to that data is as important as what you put into  
8 the system. And we need to have those components  
9 going into the creation of the system. You're  
10 totally correct.

11 Could we call upon you to offer your male  
12 perspective on this issue as well as --

13 MR. TROM: I guess it's good afternoon  
14 now. I'm Stan Trom, and I'm the director of the  
15 Child Support Division in Ventura County.

16 Ventura County was one of the six pilot  
17 counties in 1995, and we asked to be one of the  
18 pilot counties in the initial experience with the  
19 Franchise Tax Board.

20 And I can tell you as an aside, I think  
21 one of the reasons FTB is considered for automation  
22 is our experience working with the Franchise Tax  
23 Board staff was an extremely positive one. The  
24 staff was competent beyond any measure that we had  
25 of other people. Their expertise was wonderful.  
26 Their dedication was outstanding. I can go on and

1 on. But it was a very positive experience working  
2 to set up that program. I support that program. I  
3 think it's a very important component, and as  
4 Mr. Goldberg said, it is a utility for collecting  
5 child support.

6 MS. CONNELL: You are supporting which  
7 program?

8 MR. TROM: The Franchise Tax Board  
9 collection program and its expansion. But I want  
10 to raise a couple of issues.

11 In the current legislation, the  
12 legislation appears to me to transfer to Franchise  
13 Tax full authority for collection of arrears  
14 effective next year, January 1st, on designated  
15 cases and those cases coming in the system 30 days  
16 after they come in if they have a delinquency. The  
17 language to me is very broad, and it says Franchise  
18 Tax has the responsibility and authority for  
19 collection of this debt.

20 Perhaps the amendments that are being  
21 considered now that I haven't seen will address  
22 this issue. But that's a transfer of the  
23 responsibility from the DA's office or the Child  
24 Support Division, exclusively to Franchise Tax.

25 I read the language as very broad. And if  
26 it is not phrased in a way that makes it clear that

1 it's a cooperative venture and it's a utility, what  
2 we'll have is a distinct split between collection  
3 of current and collection of arrears. And the  
4 problem I foresee is a customer service problem.

5 In Ventura County, we have a case load of  
6 about 30,000 cases. On a month, we get 10,000  
7 phone calls. 90 percent of those phone calls deal  
8 with money. If we do not have either the  
9 information about what is happening on the arrears  
10 collection or a source to refer that phone call to,  
11 the customer, the public, will not get answers to  
12 questions about what is happening on my arrears  
13 collection.

14 MS. CONNELL: Well, it is a serious  
15 problem, is disconnect. Maybe we can talk about  
16 this. I'd like to get all the advocates to comment  
17 on this today.

18 We do not want to have a bifurcated system  
19 here. I mean the worst thing this can happen to,  
20 most of them are mothers, let's use the word  
21 "parent" since it's more generic, the parent here,  
22 is to have to go to the county level to get  
23 information on current, and to go to the state  
24 level to get information on delinquent. We do not  
25 want to have a bifurcated information. It's  
26 already demanding enough on this parent, the

1 frustration and stress, without finding that there  
2 are two different sources of contact here. How is  
3 the legislation going to resolve this?

4 MS. HERSHKOWITZ: As I said, we are  
5 working on refining the language, and we don't have  
6 final language which is why Mr. Trom isn't privy to  
7 it unfortunately.

8 But we have taken those very things into  
9 consideration and realize that the current drafting  
10 was particularly broad and did suggest a  
11 bifurcation of the current and the arrearage, and  
12 did suggest that maybe there were different points  
13 of contact, and that somebody could walk into a  
14 local child support agency and be told, "Stay away  
15 you. You have to go to Franchise Tax Board."  
16 Those are the exact problems that the refinements  
17 of the language that we've been talking about with  
18 FTB staff are exactly intended to addresses.

19 We make it clear that the local child  
20 support agency, they're the ones who have contact  
21 with these parents. They're the ones who need to  
22 know what is going on with the case. They need to  
23 know what collections have come in, what collection  
24 actions the Franchise Tax Board is taking so they  
25 can assist in that communication.

26 MS. CONNELL: Well, I would prefer, just

1 let me state my own perspective here, that we  
2 maintain that contact at the local level. I'll say  
3 that because one of the things we do well is the  
4 collections. But we don't have, and I think Jerry  
5 would agree with me, the arms and legs out there to  
6 do the other, nor do we have the sensitivities.

7 We are a tax collection agency. You can't  
8 have us doing both. You can't have us being the  
9 heavy hammer and be the threat to get the  
10 collections in and at the same time have the  
11 sensitivities that are necessary for dealing on an  
12 individual basis.

13 I would like case management to stay at  
14 the local level. And I would think our role is in  
15 effect the communication back, Jerry, to that local  
16 agency so that they are fully informed so that they  
17 talk to the client, in this case, the noncustodial  
18 or the custodial parent, and can tell them what the  
19 status of their case is, both current and  
20 delinquent.

21 MS. HERSHKOWITZ: It is clear that the  
22 Franchise Tax Board has no relationship with the  
23 custodial parent and would continue to have no  
24 relationship with the custodial parent.

25 When it comes to the noncustodial parent,  
26 the relationship would extend only to the need that

1 I believe Mr. Trom was talking about earlier, to  
2 negotiate an effective payment schedule for the  
3 established delinquency.

4 They're not going to be setting the  
5 delinquency; they're changing the amount of the  
6 order, but figuring out, negotiating the payment  
7 schedule which we understand is -- has been deemed  
8 to be a very effective tool that the board has used  
9 in managing the personal income tax delinquencies.  
10 That would be the extent of the relationship.

11 And the local child support agency will be  
12 empowered to facilitate communication between the  
13 noncustodial parent and the Franchise Tax Board if  
14 that's necessary.

15 MS. CONNELL: Yes, go ahead.

16 MS. JENSEN: May I address that point?  
17 One of the things that is of most concern to us in  
18 the bill as it's written now is the fact that the  
19 counties cannot rescind or withdraw the case.

20 I don't know if that's something you're  
21 contemplating changing. But it is in those cases  
22 where the noncustodial parent contacts us after  
23 they've gotten a letter from the Franchise Tax  
24 Board. They come to us first because we are the  
25 visible child support presence. And they present,  
26 possibly they've been in default order. 70 percent

1 of our orders are established in default. That  
2 means we didn't really know how much money this  
3 person made, and we made estimated about how much  
4 money they were making. So this order may bear no  
5 relation whatsoever to their ability to pay.

6 We sit down and work with that parent to  
7 find out what their situation in. In many cases we  
8 finds they're supporting another family. When you  
9 calculating child support, if you're supporting  
10 other children, that affects the amount you owe.  
11 That may not have been known when that first order  
12 was established.

13 What I'm suggesting is there's a lot of  
14 communication that goes on at the local level, a  
15 lot of negotiation on the more social service types  
16 of things with the noncustodial parent. We feel we  
17 do a good job at that. We would like to continue  
18 to be able to do that.

19 MS. CONNELL: Is the bill interrupting  
20 their ability to do that?

21 MS. HERSHKOWITZ: The language of the bill  
22 that we are trying to work out makes it -- the idea  
23 is, and the problem that's been expressed to you by  
24 staff in the Franchise Tax Board is currently cases  
25 are bouncing back and forth.

26 Franchise Tax Board locates an employer,

1 and the case gets returned to the county. The  
2 county implements a wage assignment for current  
3 support as well as in arrearage. The case,  
4 suddenly the payments stop, and that case goes back  
5 to the Franchise Tax Board to locate a new  
6 employer, locate another asset. Sort of the  
7 bouncing bank and forth, and that's what we're  
8 trying to stop.

9           However, the language that we are working  
10 on will require the new department of child support  
11 as the child support agency in the state to  
12 prescribe guidelines when it's appropriate for the  
13 counties to request back the -- to request the  
14 case, all of the case functions to be transferred  
15 back to them and FTB to therefore send the case  
16 back.

17           MS. CONNELL: So you will allow that  
18 option to occur at the direction of the county, or  
19 at the direction of the child support agency?

20           MS. HERSHKOWITZ: The child support agency  
21 will set up the guidelines.

22           MS. JENSEN: That would be acceptable. We  
23 want to have that that as an option.

24           MR. TROM: I have one last suggestion  
25 given the suggestion, the amendments and the time.  
26 That's this, when the program was originally set

1 up, there was a county Franchise Tax work group  
2 that worked together to work through issues.

3           There will be a number of issues as this  
4 program expands, and I think there's a need for a  
5 similar cooperative venture. To the extent that  
6 Franchise Tax moves into workers' comp liens, many  
7 counties do that now, there's going to be a  
8 duplication; we need to work out the process in  
9 that and a myriad of other issues. I think there's  
10 a need to set up that kind of a cooperative task  
11 force now given the expansion.

12           MS. CONNELL: Well, as soon as the  
13 legislation is hammered out. We don't want to have  
14 moving forward until we understand what we need to  
15 do. But certainly as we've already indicated  
16 today, the sense of partnership is prime here. But  
17 we need to have our other partners at the table.

18           The other partner needs to be this office  
19 of child support which I will be relieved when it  
20 gets initiated so that we can have some program  
21 direction statewide, and we can have some sense of  
22 defining and isolating our specific role so that it  
23 does not become, you know, more intense than we are  
24 capable of delivering.

25           I want to thank members of this panel.

26           Let me explain what we're going to try to

1 do now. We're going to be going on the Dion Aroner  
2 legislation. Some of you, I think, are going to be  
3 testifying on that as well. I am going to get to  
4 all of you in the audience who want to testify.  
5 Some of you are already listed here and have  
6 already spoken.

7 So what we're going to do is now go to the  
8 Dion Aroner panel and ask that that panel come  
9 forward. And I'm looking from list of who is on  
10 that panel.

11 I'm going to combine these bills  
12 together. Jerry, can I ask your group to kind of  
13 leave the table so we have more room here, but  
14 stand by.

15 We need Curtis Child from Assemblywoman  
16 Aroner's office. Leora, you need to stay. Nora,  
17 you need to stay. Bill Otterbeck, or now his  
18 replacements, need to stay. Peggy Jensen from the  
19 California Family Support Counsel. Dennis Snapp  
20 who is the special assistant to the director of  
21 child support group in L.A. District Attorney  
22 needs to come forward. I think those are the  
23 additional representatives.

24 Now, I'm going to ask for comments on the  
25 Dion Aroner bill, and then we're going to open it  
26 up to those who have requested that they have a

1 chance to speak, and we'll get to all of you as  
2 well.

3 Let's start if we can with Curtis Child.  
4 And thank you for being here.

5 MR. CHILD: Madam Chair and members of the  
6 board, thank you for the opportunity to be here  
7 today. My name is Curt Child. I'm staff with the  
8 Assembly of Human Services Committee and staff to  
9 Assemblywoman Aroner.

10 If I can just back up and make one comment  
11 on the restructuring bills that you were talking  
12 about earlier that I think is important to  
13 understand. Is, it is a little shocking at this  
14 point to not be able to say what our noncustodial  
15 population looks like. We've been operating the  
16 program over these years without having a good  
17 handle on what those are. And the legislation  
18 certainly envisions that one of the early tasks of  
19 the new department is to get a handle on what the  
20 noncustodial population looks likes.

21 And in part, when we had hearings earlier  
22 this year in looking to where the states, some of  
23 the more creative states, that's exactly what they  
24 were doing. They were beginning to stratify their  
25 noncustodial populations so that you could more  
26 accurately direct your policies towards

1 collections.

2 For example, on one end, you have those  
3 individuals who may be willing but unable to is  
4 provide support. The other spectrum, you have  
5 those active evaders where a law enforcement role  
6 may be more appropriate.

7 And so what we need to move toward and  
8 what I think these bills do move toward is a state  
9 agency that can direct locals how to handle each of  
10 those populations, and so you can start looking at  
11 those at the end who may be willing but unable to  
12 make support payments to start developing  
13 noncustodial kinds of projects where you're looking  
14 at other things than just trying to get money, but  
15 trying to get potential future payment for those  
16 individuals.

17 Let me just say, on AB 472 --

18 MS. CONNELL: Let's take the bills  
19 separately because they're really quite different.

20 MR. CHILD: They are. They're completely  
21 different. AB 472 is a compliant resolution bill.  
22 This bill grew out of what was essentially enormous  
23 complaints that we were seeing from our  
24 constituents and hearing from child support  
25 advocates about problems they were having with the  
26 district attorneys and being able to access them

1 with their complaints.

2           So last year we introduced AB 1961 that  
3 was a complaint resolution that essentially  
4 established, first of all, an opportunity to  
5 resolve complaints informally at the local level,  
6 and if those were unable to be resolved, there  
7 would be an opportunity for a state hearing before  
8 an administrative law judge, much the same as, and  
9 in fact exactly the same as that hearing process  
10 that's available to welfare recipients now to  
11 resolve their grievance. Unfortunately, in part at  
12 the urging of the district attorneys, the governor  
13 vetoed that bill. It was reintroduced this year.

14 And --

15           MS. CONNELL: You're referring to Governor  
16 Wilson.

17           MR. CHILD: Absolutely. It was  
18 reintroduced this year.

19           MS. CONNELL: I didn't want the current  
20 governor to be labeled as revetoing that bill.

21           MR. CHILD: Included as well child support  
22 amnesty provision.

23           Let me just say, what we envision and how  
24 the bill is now drafted, and it's drafted in the  
25 world of district attorneys and Department of  
26 Social Services, and we're in the process now as

1 we're getting closer with the restructuring bills,  
2 to do chapter and outline language that will make  
3 this consistent and an integral part of those  
4 bills.

5 It would essentially provide that the  
6 state department, the new state department, would  
7 provide a -- an informal complaint resolution  
8 process, a complaint resolution process that would  
9 be consistent across all of the counties. And that  
10 in the event that that complaint resolution process  
11 did not resolve in a satisfactory resolution of the  
12 complaint, the individual would be entitled to a  
13 hearing before an administrative law judge at the  
14 state level.

15 Now, the question that I think you asked  
16 is what is the impact potentially on the FTB as was  
17 just described in the last panel.

18 It is envisioned in the restructuring  
19 legislation, that the case management functions  
20 remain with the local agency. How we will do the  
21 language to revise 472 to make it consistent with  
22 196 and 542 is that we will include in there a  
23 provision that any dispute that may arise  
24 concerning the Franchise Tax Board, that dispute is  
25 within the jurisdiction of the local child support  
26 agency. In other words, it's the local child

1 support agency that would be responsible for  
2 resolving that complaint, obviously in  
3 consultation, in talking with FTB. But they would  
4 be responsible for ultimately doing the  
5 resolution.

6 If the resolution were unsatisfactory, and  
7 neither the noncustodian or custodial parent chose  
8 to request a hearing, the party to that hearing  
9 would be the local child support agency, not the  
10 Franchise Tax Board.

11 MS. CONNELL: What a relief.

12 MR. CHILD: I think that's right.

13 MS. CONNELL: I mean the ability to have  
14 these hearings in a timely fashion. I mean the  
15 function of the FTB, we don't meet that regularly,  
16 and we certainly don't have that hearing capacity  
17 to be having these hearings for tens of thousands  
18 of cases, I see Mr. Goldberg is in total agreement  
19 with me, statewide. It just would not be  
20 possible.

21 We just don't have the capacity to  
22 intervene at that level, at the county level, so  
23 it's good that the office of whatever, social  
24 services or however you're going to term this  
25 office at the local level would do that.

26 MR. CHILD: I think it makes the right

1 policy sense. We wanted to make sure that both on  
2 issues that deal with the -- both noncustodial and  
3 custodial parents, that there is the one point of  
4 contact that they can go to the local agency to  
5 resolve the disputes.

6 And I think that's right, that it would  
7 not be appropriate for FTB to be trying to resolve  
8 the dispute at the same time that the local agency  
9 may be trying to resolve that dispute. So we would  
10 insure that that piece remains with the local  
11 agency throughout the hearing process.

12 There may be a need for FTB involvement,  
13 but that's more or less informally in working with  
14 the local department in resolving that, that  
15 complaint.

16 Keep in mind as well that only disputes  
17 that involve the direct collection functions and  
18 the -- essentially the administrative functions,  
19 not order setting, would be subject to review.  
20 Anything that's within the jurisdiction of the  
21 court remains within the jurisdiction of the court  
22 and would not be subject to review in the  
23 administrative process.

24 So that's essentially I think the overlap  
25 with FTB that you would be concerned with.

26 The other piece that isn't contained in

1 472 initially as introduced was an amnesty  
2 program. It was our belief in hearing both from  
3 custodial and noncustodial parents that often large  
4 arrearages that have accrued keep fathers out of  
5 their families, both financially and emotionally.

6 And it is our belief that if we give them  
7 the opportunity to get out from under some large  
8 arrearages on the condition that they continue to  
9 pay all future current support, support that we're  
10 not currently collecting, and it's welfare  
11 arrearages, it's money owed to the state, not money  
12 owed to the other parent, that we would have the  
13 opportunity to bring out -- bring in, actually,  
14 these fathers into the lives of their children.

15 We see it as a no-lose proposition for the  
16 state, that if we bring them into their lives  
17 financially and emotionally, we've benefited the  
18 children.

19 If we are unsuccessful in doing that, the  
20 arrearage stays in place. The arrearage would only  
21 be forgiven upon the completion of current child  
22 support through the life of the order. If at any  
23 time they -- the noncustodial parent fell more than  
24 60 days in arrears, they would then have  
25 reinstatement of the entire arrears. And the state  
26 would be entitled to collect those, whatever we may

1 be successful in getting from that parent.

2 Now, that provision was ultimately amended  
3 recently in the Senate Health Committee to make it  
4 a pilot project in one county. I think we have not  
5 made the decision whether we would be interested in  
6 doing it on such a small scale.

7 MS. CONNELL: What county would it be?

8 MR. CHILD: Alameda County. Not  
9 surprising.

10 MS. CONNELL: Yeah, surprisingly, yes.

11 MR. CHILD: But I think we would not be  
12 particularly interested in doing it on that scope,  
13 and in part the message it may send to noncustodial  
14 parents that we would be in the future providing  
15 amnesty programs, and we don't want to provide any  
16 incentive for reason for noncustodial parents to  
17 stop paying their child support payments.

18 MR. GAGE: Has there been experience in  
19 other states with amnesty programs?

20 MR. CHILD: Very limitedly. And the  
21 federal government is now very interested in our  
22 discussions with them in trying to test out some of  
23 these amnesty proposals.

24 And fortunately they have provided to the  
25 state directives that, in the event that we forgive  
26 through amnesty -- excuse me, if we forgive through

1 amnesty some part of the arrears, a portion of  
2 that, 50 percent of that is payable to the federal  
3 government. And they would be willing to forego  
4 their right to collection in those cases in the  
5 amnesty. So they're interested in testing it.

6 Ours was set up essentially as a one-time  
7 amnesty provision and again in part not to send the  
8 message that you ought to stop paying child  
9 support, but also to see if it would have the  
10 effect that we believe it would of bringing more  
11 fathers into their children's lives.

12 Now, the impact, in thinking that through  
13 of potential impact on the Franchise Tax Board, if  
14 a full or even a lesser version of amnesty were  
15 imposed, I can't see that there would be some  
16 direct impact on the Franchise Tax Board unless  
17 potentially fewer cases that you would have  
18 because --

19 MS. CONNELL: Not any serious impact.

20 MR. CHILD: That's correct.

21 MS. CONNELL: Do you want to join us on  
22 discussing this? Do you see any serious impact  
23 here on the FTD on this.

24 MR. GOLDBERG: The only impact would be  
25 obviously a revenue impact. Presumably there would  
26 be fewer arrearages for us to go after. But the

1     problematic standpoint, no.

2             MS. ALEXANDER:  The amnesty program has no  
3     impact on the custodial parent?

4             MR. CHILD:  Any support order that the  
5     custodial parent would be entitled to collect would  
6     still be payable to the custodial parent.  The  
7     amnesty only goes to the arrears that are owed to  
8     the state for welfare reimbursement.  Obviously for  
9     constitutional reasons, I don't think we could give  
10    away the support that's owed to an individual  
11    family.  So it's just talking about welfare and  
12    arrears.

13            MS. ALEXANDER:  How was Alameda County  
14    selected for the pilot program?

15            MS. CONNELL:  Dion Aroner is from Alameda  
16    County.  I mean I'm assuming that that's the logic  
17    there.  Is my mind tracking correctly?

18            MR. CHILD:  I think that's how it  
19    happened.

20            MS. CONNELL:  Okay.  Are there comments  
21    about this bill, or should we move on to the next  
22    bill which is -- yes.

23            MS. JENSEN:  I obviously don't have an  
24    indepth analysis because this is the first I've  
25    heard of the proposed amendments.

26            But I want to raise the concern that those

1 of us at the local level are subject to very strict  
2 complaint resolution processes right now. And I'm  
3 very concerned that if we in fact were responsible  
4 for a complaint that was lodged by a noncustodial  
5 parent against an action that was taken by the  
6 Franchise Tax Board, I don't understand how we  
7 would have the ability to resolve that. That's  
8 something we would obviously have to work out. But  
9 it seems like we're making the local agency  
10 responsible for something we have no control over.  
11 And we deal with enough unhappy people every day, I  
12 don't need to add more to that.

13 MS. CONNELL: Yes, go ahead.

14 MS. GERSHENZON: I would like to respond  
15 to that. I think what's envisioned, the  
16 legislation is a comprehensive resolution process.

17 MS. CONNELL: People cannot hear you in  
18 the back of the room. Can we increase your mike,  
19 please? Thank you.

20 MS. GERSHENZON: What the bill envisions  
21 today presents comprehensive resolution process for  
22 custodial and noncustodial parents. Today there is  
23 no such processes across the state. And in fact  
24 the limited process that there is does not even  
25 apply to noncustodial parents. It only applies to  
26 custodial parents on some very limited issues.

1           So what this bill would do is to make the  
2 same system throughout the state so the parents in  
3 one county can get the same resolution of their  
4 issues. If there is -- today there are numerous  
5 state agencies involved in the collection of child  
6 support. You've got the Department of Motor  
7 Vehicles withholding licenses. You have got the  
8 Department of Justice doing matches of locations.  
9 All of these entities have to work together to make  
10 the system work appropriately.

11           The Franchise Tax Board, as we've said  
12 earlier, would be another tool that would have to  
13 work appropriately. So that the local child  
14 support agencies would be responsible for  
15 responding to custodial and noncustodial parents  
16 about the actions taken or not taken by the child  
17 support agency. That is their function, to deal  
18 with the case management. But they would have  
19 their partners to work with.

20           FTB would have to comply with all federal  
21 and state child support laws for the parts of the  
22 program that they were doing, and that's the way  
23 this whole program would work together. It would  
24 not be that somehow the local entity would be left  
25 responsible for something it had no control over.  
26 This would be a statewide program with this

1 in-state Department of Child Support Services  
2 explained to FTB. For the functions you take,  
3 here's how you have to do them. This is a program  
4 that is controlled by federal law and regulation  
5 for the most part, and we have to do this  
6 appropriately no matter who does it.

7 MS. CONNELL: Fine. I'm going to try to  
8 wrap this up so we can move on. Can you be brief?

9 MS. O'BRIEN: Yes, I can. I just wanted  
10 to also add about the impact of complaint  
11 resolution process on Franchise Tax Board.

12 It's crucial during the transition period  
13 for the new department that there will be a  
14 complaint resolution process available to parents  
15 that are using these services.

16 And the other thing, too, is I understand  
17 the district attorney's response to, you  
18 know, "Well, you know, we don't know how to deal  
19 with this. Why do we have to deal with this  
20 situation?"

21 The new department is going to be the  
22 determining factor in creating the partnerships  
23 between Franchise Tax Board and determining the --  
24 how the complaint resolution process will be set  
25 up.

26 And one other question, as the welfare

1 amnesty program, the custodial parent, the only  
2 person that is owed the debt is the one that can  
3 forgive the date. So what we don't want to do is  
4 to go down the line of custodial parents being  
5 legislated to forgive their arrears. That's not  
6 our intent at all. Our intent is to -- the welfare  
7 debt that's out there on all of the defaultors that  
8 Ms. Jensen was referring to earlier, out there,  
9 that oftentimes it's overwhelming and so they stay  
10 underground, so that's our intent.

11 MS. CONNELL: Thank you.

12 Now we are going to move to bill 150 which  
13 is also Dion Aroner bill, and this is the one that  
14 talks about the status of the state computer  
15 system.

16 MR. CHILD: Well, I certainly don't need  
17 to go through the tortured history that we've been  
18 through with the SACS program and the cost, \$111  
19 million cost to the taxpayers.

20 MS. CONNELL: Is it \$4.2 billion dollar  
21 fine?

22 MR. CHILD: Well, there are actually two  
23 sets of penalties that we're looking at. The first  
24 is a graduated set of alternative penalties that  
25 the state has now opted into as an alternative to  
26 the new Traum bond penalty of \$4.3 billion.

1           In this budget, the penalty is \$90  
2 million. The first \$40 million we saw last month,  
3 and we'll see the next \$50 million next quarter.  
4 Essentially it's a cut from the administrative cost  
5 that we receive from the federal government.

6           The other piece, however, does require --  
7 and that's graduated. Next year it will be  
8 somewhere around \$80 million. By the time we're  
9 thinking realistically that we can get automation  
10 in place, we're about at \$100 million a year for  
11 the penalties.

12           The one bit of relief that's -- that we  
13 would be entitled to is any year in which we're  
14 ultimately successful in getting our system  
15 federally certified, we're entitled to a 90-percent  
16 reduction in those penalties. But otherwise we're  
17 essentially running at about \$100 million per year.

18           MS. CONNELL: What other states have not  
19 been able to comply yet?

20           MR. CHILD: There is a handful of other  
21 states. Most of the large states have got systems  
22 up that are certified, Texas, New York, Florida.

23           MS. CONNELL: Massachusetts.

24           MR. CHILD: Yes, yes.

25           MS. CONNELL: So the states that have been  
26 moving forward on child support reform are the

1 states that basically have the system up?

2 MR. CHILD: Oh, I'm not sure that that's a  
3 correct correlation to make. Those states that  
4 concentrated on getting their system up were  
5 successful. Whether they did any kind of reform or  
6 not with it, I don't think there's, you could  
7 draw --

8 MS. CONNELL: In other words, you can't  
9 have reform unless you have a computer system?

10 MR. CHILD: I think that's right.

11 MS. CONNELL: All right.

12 MR. CHILD: It is difficult, particularly  
13 in the world we're in right now, to try and do  
14 automation without knowing the structure of the  
15 program. On the other hand, it's very difficult to  
16 do the structure and then put out time-wise at \$100  
17 million per year.

18 MS. CONNELL: Well, I know. Clearly you  
19 need to have a structure of a program before you  
20 computerize. That's not what I'm asking. I'm  
21 asking the larger issue. If you were trying to  
22 reform the program and move it forward, you would  
23 have to have first a program that is in place at a  
24 strategic level so you know what you want to  
25 accomplish, hopefully some kind of computer skill,  
26 and then basically be able to modify. But we are

1 nowhere in that process yet.

2 MR. CHILD: And with the penalties, it  
3 puts it in a much different world for us to be in  
4 that process.

5 Certainly it would be much better to take  
6 that time to do that, but at \$100 million per year,  
7 it's very expensive to do that. So I think our  
8 approach is that we will look at doing them  
9 together as we move along both with the structuring  
10 and the automation.

11 Let me just, if I might, so you understand  
12 what is in AB 150, this bill was introduced as an  
13 urgency measure essentially in May after we  
14 received word from the federal government that they  
15 were disapproving the approach that was taken last  
16 year which was to build a Consortia system linking  
17 various county automation systems to one another,  
18 doing an overlay and then linking them to the  
19 statewide distribution unit, and to the case  
20 registry.

21 That was an approach that was essentially  
22 pushed by the district attorneys at the time, and  
23 Governor Wilson was supporting that they were  
24 giving the counties the opportunity to retain their  
25 systems, although we were very skeptical on whether  
26 the federal government would accept that approach.

1 They've been pretty clear all along that they want  
2 single statewide system, not only for the children  
3 of California, but they need to worry about linking  
4 systems nationally and interstate claims.

5 So after we received word from the federal  
6 government that they were going to disapprove that  
7 approach, we introduced this bill to essentially  
8 take a new approach toward the development.

9 And in the bill, currently has four major  
10 components in it. The first is it makes the  
11 Department of Social Services responsible for  
12 procuring and implementing the single statewide  
13 system. It's got to be a system that's operative  
14 in every county, and it's got to include the  
15 statewide distribution in it, and it's got to  
16 include the federal registry.

17 Second piece is that it sets out  
18 essentially an industry standard procurement  
19 process, a procurement process that would be done  
20 in two phases; that would allow multiple vendors to  
21 come in and generate preliminary designs, and then  
22 from those designs, we would ultimately select  
23 one.

24 The vendors could bid on any of the  
25 existing systems that exist within the counties.  
26 Right now they could look toward other state

1 systems or building one from the bottom up. But  
2 there would be a single vendor ultimately that  
3 would build our system.

4 The bill also insures that while that  
5 system is being developed --

6 MS. CONNELL: Who is responsible for  
7 delivering -- or developing that system under your  
8 bill?

9 MR. CHILD: Who's responsible for the  
10 oversight?

11 MS. CONNELL: Yes.

12 MR. CHILD: The Department of Social  
13 Services is ultimately the agency responsible under  
14 the bill. And I think how the department envisions  
15 now is in consultation -- it wouldn't be more than  
16 in consultation. It would be HWDC actually  
17 responsible for the technology piece of it.

18 It permits the counties to essentially  
19 continue using their current automation systems  
20 provided that those systems are Y2K compliant and  
21 provided that they can do --

22 MR. GAGE: We haven't even raised that  
23 here. That's another frightening thought, that  
24 they may not be Y2K compliant even as ineffective  
25 as some of them are.

26 MR. CHILD: That's correct. Some are

1 not. The system must also --

2 MR. GAGE: What portion roughly do you  
3 think? Do you have any feel for that?

4 MR. CHILD: I don't know currently. HWDC  
5 has looked at. There is a handful that are  
6 still -- Sacramento is still transitioning because  
7 they were not Y2K compliant. There's five or six,  
8 I think would be accurate.

9 The other piece of that is we have to  
10 insure that the counties are welfare distribution  
11 compliant. The welfare reform required new  
12 distribution schemes, was discussed earlier, with  
13 more money going directly towards families as  
14 opposed to arrearages, and the system must be able  
15 to accommodate that new distribution system.

16 Finally, what the bill does with the  
17 penalties is passes on those penalties to the  
18 counties. But it holds those penalties in abeyance  
19 for as long as the counties are cooperating in  
20 establishing the single statewide system.

21 I think it was our view and our approach  
22 from the experience in working with the counties,  
23 both the SACS experience and the experience in  
24 working with the counties in the past year, that  
25 it's difficult to get them to give up the systems  
26 that they are comfortable, familiar with, and maybe

1 do more local business functions.

2 And this would require annual cooperation  
3 agreements with the counties. And as long as  
4 they're complying with those cooperation agreements  
5 with the state department, then the counties would  
6 not bear that portion of the federal penalties.

7 We also amended the bill now to include an  
8 appropriation for this year of the \$90 million to  
9 cover those penalties.

10 The last piece is that the counties would  
11 share in ten percent of the penalties after  
12 September 2,002. And it is our belief that this  
13 would help insure that the counties continue to  
14 work together successfully in completing the  
15 system. It also recognizes in part the delay that  
16 was caused over the past year in the failed link  
17 Consortia system that was not approved.

18 So that currently is the view of  
19 Assemblywoman Aroner. That's how she's moving this  
20 bill.

21 Now the question which you pose is what  
22 would be the impact in FTB? Well, certainly your  
23 staff has -- is in a better position and have  
24 answered those questions and impact if FTB were to  
25 assume a greater role.

26 All I can say now is that no decisions

1 have been made to alter this bill that would give  
2 the FTB a greater role in establishing and creating  
3 the automation system.

4 MS. CONNELL: And Mr. Goldberg, do you  
5 wish to respond?

6 MR. GOLDBERG: I think I commented  
7 previously, and I think Curt has pretty well  
8 expressed where I think things are currently.

9 AB 150 has not been changed. It would  
10 still leave the responsibility with HWDC.

11 My -- there have been discussions with  
12 regard to our assuming that responsibility. They  
13 have simply been at the staff level, but no final  
14 decisions have been made. Certainly we have  
15 discussed the possible ramifications if indeed we  
16 were to take on this responsibility.

17 MS. CONNELL: We don't need to rehash that  
18 for the audience's illumination.

19 I mean I continue to stand opposed to our  
20 assuming the horrific burden of taking on the  
21 failed SACS system because I think it would  
22 significantly hurt the ability of the FTB to move  
23 forward on its electronic processing of revenue  
24 collection, which is the commitment we've made to  
25 the taxpayers of California and to the business  
26 community. Nor do I think it's something that we

1 have the capacity to do successfully since we have  
2 neither the business expertise nor case management  
3 experience or the technical expertise in this  
4 program. But we don't need to keep on emphasizing  
5 that.

6 You wanted to emphasize a point? Yes.

7 MS. JENSEN: Yes, I have one point to make  
8 on AB 150. And that is, I think it's very  
9 important that the bill include specific funding to  
10 allow those of us in the counties that have our own  
11 automated systems that we're going to have to  
12 continue operating until the single statewide  
13 system is developed, to pay for the changes we're  
14 going to have to make to provide you the data for  
15 your augmented program.

16 MS. CONNELL: How is that anticipated in  
17 the bill? How do you handle that?

18 MR. CHILD: There's a couple of  
19 questions. One is, we deal with enhancements in  
20 that we restrict the county from making any  
21 enhancements to their existing systems. Obviously  
22 we're not interested in their continuing to build  
23 some systems that are going to be temporary  
24 internal systems.

25 However, for provisions that are either  
26 state or federally mandated enhancements to their

1 existing systems, those would be state costs, and  
2 the state would approve that.

3 The other piece of this is that there is  
4 some question of how much the federal government  
5 will pay for maintenance and operation of these  
6 costs. And currently we have a request in trying  
7 to narrow what we think that they may pay for. So  
8 far they've told us that will only pay for our four  
9 selected safe haven systems and maintenance and  
10 operation.

11 MR. GAGE: At what level? 50 percent? Or  
12 66. Save Havens.

13 MR. CHILD: The full maintenance and  
14 operation costs.

15 MS. CONNELL: Let me ask you, Curtis, what  
16 is the assumption regarding the cost of putting  
17 together this system from scratch since we  
18 obviously can't build on a failed system now. What  
19 is your estimate when you did the analysis for the  
20 bill?

21 MR. CHILD: There's not yet because we  
22 don't know what it's going to look like.  
23 Essentially what this bill envisions and I think  
24 what the budget included was the initial money up  
25 front that we're going to pay for the four vendors,  
26 essentially \$500,000 for four vendors to come in

1 and make a proposal on what the system is going to  
2 look like.

3 MS. CONNELL: So in your bill, you just  
4 are appropriating the 500,000 for the vendor?

5 MR. CHILD: That was actually money that  
6 was in the budget last year for the automation  
7 system that was essentially rolled over to the  
8 project this year. So there's no specific  
9 appropriation. We would just use that, the funds  
10 that were appropriated for the procurement in the  
11 Consortia-based system.

12 MS. CONNELL: So it was envisioned last  
13 year that some of this work would have already been  
14 done, but it was not been initiated by any of  
15 the --

16 MR. CHILD: There were two things that  
17 happening last year. One is that we were going to  
18 seek a vendor that we could build the overlay for,  
19 the Consortia systems.

20 There was also a contract that went out to  
21 seek recommendations on an ultimate long-term  
22 solution. When the federal government disapproved  
23 this approach, that contract was canceled, so  
24 that's not out there any longer.

25 So it's essentially just rolling those  
26 funds last year on procurement into this year to

1 start the two-phase procurement.

2 MS. ALEXANDER: Do you envision any  
3 statewide consultation on Y2K compliance or welfare  
4 compliance?

5 MR. CHILD: HWDC, that has been their  
6 role, to determine -- to assist the counties in  
7 determining whether they're Y2K complaint and  
8 whether they can do welfare reform.

9 MS. CONNELL: It will be past the Y2K  
10 issue if we get this legislation passed and in some  
11 way in effect.

12 MR. CHILD: Keep in mind these are the  
13 interim systems, the individual interim county  
14 systems that we would be working to get Y2K  
15 compliant.

16 MS. CONNELL: Any other comments by  
17 members of the board?

18 If not, I'd like to call upon the members  
19 of the public who have been extraordinarily patient  
20 in this hearing today. And the first one who has  
21 signed up is Jill Santos.

22 Jill, are you still here, and do you wish  
23 to --

24 Let me call forward a number of people.  
25 Doug has already spoken from BSA. And I'm having  
26 trouble.

1 Reed, did you want to speak from BSA?

2 No?

3 How about, is it Jim Ward, Jim Ward in the  
4 audience? Or Danny Lemon? And we've already had  
5 Jensen from San Mateo DA. The Ventura County DA's  
6 whose name I cannot read we've already had, I  
7 believe.

8 Then we have Richard Bennett from the  
9 Coalition of Parents Support, and Steve Bower from  
10 the Shasta County DA.

11 So if all of you would come forward, we'll  
12 give you an opportunity. Go ahead, Jill.

13 MS. SANTOS: I'm Jill Santos, and I'm here  
14 basically to represent the children. I have two  
15 children. I've had a case open for ten years.  
16 Right now my children are a owed around \$10,000.  
17 Let me give you little bit of history.

18 MS. CONNELL: You are which county?

19 MR. SANTOS: Sacramento County. I'm also  
20 an ACES member. I'm the chapter president.

21 A little back history about my case. My  
22 children's father is a job hopper. He goes from  
23 one job to the other to avoid paying child  
24 support.

25 Although it would be very easy to locate  
26 him, I've had a very hard time with Sacramento

1 attorney actually doing that. I've found that if I  
2 want to locate my children's father, it's my job to  
3 do that. I basically can take out a phone book, I  
4 call until I find a company he works for, and then  
5 I pass that information on to the DA's office.

6 MS. CONNELL: Does he pay any income  
7 taxes?

8 MS. SANTOS: Pardon?

9 MS. CONNELL: Does he pay any income taxes?

10 MS. SANTOS: Yes, he does. I want to  
11 bring this up. I keep hearing how fathers are --  
12 not fathers; noncustodial parents are not able to  
13 pay. This is a man, and this is very typical, he  
14 makes 40 to 50 thousand dollars a year. He is a  
15 construction worker. And it's very easy to go from  
16 one company to the other when you know somebody is  
17 looking for you.

18 I found that in the last few years, he has  
19 jumped a around a little bit less because he knows  
20 we're going to find him. I'm going to find him.  
21 So I actually am getting more child support because  
22 of my efforts, not because of the Bureau of Child  
23 Support.

24 I think it's really important, you know,  
25 to point that out, that he is very capable in  
26 making a -- paying for his -- the child support.

1 The other thing that --

2 MS. CONNELL: Has Sacramento County, I'm  
3 sorry, Jill, ever referred this case to the  
4 Franchise Tax Board?

5 MS. SANTOS: Actually I think in the ten  
6 years I've gotten two checks that are in addition  
7 to, you know, from Franchise Tax Board. In fact  
8 just recently I got a check, and it was quite a  
9 nice little pleasure to get a check.

10 I think if there was enforcement, they  
11 would turn him over more often. I think what  
12 happens is the family of child support doesn't use  
13 the tools that are given to them to enforce this  
14 child support court order. I think if they did  
15 more often, they would find it would be very easy  
16 to collect from him. In fact just recently he has  
17 bought two brand new cars and a brand new house.  
18 Very capable of paying.

19 MS. CONNELL: May I ask you, Jerry, point  
20 of information that might be of interest to Jill as  
21 well. If this person has already failed to make  
22 their child support payments, and we have been  
23 successful on occasion evidently, too, two  
24 occasions of finding this individual, why do we not  
25 have some kind of signal in our income tax refund  
26 system that would signal that, before we make the

1 income tax refund, we would check with the local  
2 county to see if there's still any outstanding  
3 debts? How does that work?

4 MR. VRANNA: Well, the offset program does  
5 rely on the counties providing us information as to  
6 who's in arrears in paying their child support  
7 obligation. So if this individual was in arrears,  
8 the County of Sacramento would provide us that  
9 information. Before a tax refund would be sent to  
10 him we would look to see how much they're in  
11 arrears, and that refund would be offset against  
12 that liability.

13 MS. CONNELL: But only if the county  
14 initiates.

15 MR. VRANNA: That's correct.

16 MS. SANTOS: I don't believe Franchise Tax  
17 Board has hindered my case at all. I believe it's  
18 the county that has. They don't turn over  
19 information.

20 In fact just recently I helped another  
21 mother find out that her child's father is on  
22 unemployment. She found out, what is it, the 51st  
23 week, he only gets 52 weeks of unemployment. But  
24 if the county was doing their job, they would have  
25 flagged that case and that, once the employment  
26 kicked in, that person would have gotten part of

1 the unemployment.

2 MS. CONNELL: Well, in the proposed  
3 language of the QO Burton bills, would you perform  
4 differently? Once the case comes to us, you would  
5 stay dogged on the case, and you would make sure  
6 that whether or not there's any further initiation  
7 by the county, that we would continue to demand  
8 compliance?

9 MR. VRANNA: That's what I was just  
10 whispering to Jerry. Obviously if we become  
11 responsible for managing that receivable, that  
12 arrearage, we would be essentially letting our own  
13 system know that this debt is in existence, so we  
14 would use this as well as other tools to resolve  
15 the account.

16 MS. CONNELL: Well, we would know about  
17 the arrearage; we wouldn't know about the current  
18 problem? The current problem would just add to the  
19 arrearage each 60 days. I take it is you would  
20 update your arrearage number every 60 days?

21 MR. VRANNA: Actually no. We would be  
22 updating much more frequently than monthly updates  
23 as to how much is owed.

24 MS. CONNELL: Go ahead, Jill.

25 MS. SANTOS: And another situation that  
26 happens quite often is that when a parent goes --

1 both parents go into the court system, the amount  
2 of income is taken at face value. In other words,  
3 a parent can go in and say, "I'm unemployed," or  
4 they can go in and say, "I only make this amount,"  
5 it's taken at face value. It's not verified.

6 My child support order went from \$350 a  
7 month to 170 for two children. And that has been  
8 basically probably eight out of the ten years.

9 Let's see. I'm sorry, I'm trying to skip  
10 over some things that wouldn't --

11 MS. CONNELL: Take your time. It's really  
12 wonderful to finally have actually one of the  
13 parents whom we're trying to serve testify before  
14 our committee, so please feel free to take your  
15 time.

16 MS. SANTOS: Let me tell you, there would  
17 be a lot of parents who would be here if they  
18 could, but a lot of them are working. I happen to  
19 have a little bit of vacation time so here I am.

20 I do feel that one of the biggest problems  
21 with the current system is there is no  
22 accountability. I believe this problem has  
23 trickled down all the way from the top to my  
24 children's father. Every time he got a new job, he  
25 was in contempt by not notifying the district  
26 attorney's office or myself. And every time he

1 didn't pay, he was in contempt. But he was never  
2 brought in for contempt. In ten years, he's never  
3 been brought in. He was not made accountable for  
4 his behavior, and the district attorney has not  
5 been made accountable for their behavior. They do  
6 not use the tools and laws that are given to them  
7 to enforce these child support orders.

8           What I found is that my children are the  
9 ones who pay the price. You know, I feel if there  
10 isn't a dramatic change in our system, many  
11 children will be like my family. I started in this  
12 program with my children being six and eight. My  
13 daughter recently turned 20, and my son turned 18  
14 this month.

15           And we need to make a big change. It's  
16 very important to the children.

17           Franchise Tax Board does an excellent  
18 job. I pay my taxes. If I didn't, they'd come  
19 looking for me. I think it's -- child support  
20 needs to be -- it needs to be an important issue.  
21 It's more important than taxes, and as California,  
22 we need to send a message to our children that they  
23 are important, and that we do consider this a  
24 serious problem, and that we do need a state  
25 department of child support whose sole  
26 responsibility is collecting child support.

1 MS. CONNELL: Couldn't agree with you  
2 more. Well stated. Any other comments you want to  
3 offer, Jill?

4 MS. SANTOS: No, I don't think so.

5 MS. CONNELL: Thank you. I'm sorry we had  
6 to wait ten years to get to this point.

7 MS. ALEXANDER: I'm not suggesting that  
8 you should have to do this. But have you ever  
9 suggested that your matter be referred back to the  
10 Franchise Tax Board from the local level?

11 MS. SANTOS: I'll tell you what happens  
12 when I call child support. First of all, I can't  
13 get through. Second of all, I did learn if you get  
14 up at 5:00 o'clock in the morning and call the  
15 hotline, you can leave a message. But then I don't  
16 get a return response to it.

17 I sent three letters to the district  
18 attorney, Jan Scully in Sacramento, certified,  
19 registered, personal mail. I never received a  
20 response. So for me to ask them to refer to it,  
21 you have to be able to get through to them first.  
22 And to have a communication, that's just almost  
23 impossible.

24 So, you know, thank you.

25 MR. GAGE: Thank you.

26 MS. CONNELL: Thank you very much.

1           Yes. You want to identify yourselves for  
2 the record, please?

3           MR. BEAR: Me?

4           MS. CONNELL: Yes.

5           MR. BEAR: Okay. I'm sorry. I'm Steve  
6 Bear. I'm the director of the Family Support  
7 Division in Shasta County. And I'm here at the  
8 request of our board of supervisors. They drafted  
9 a letter for your board. I believe you have a  
10 copy.

11           MS. CONNELL: Yes, thank you. We just  
12 received it.

13           MR. BEAR: They asked me if I would read  
14 the letter and permit it, and then I have a few  
15 comments I'd like to make if that's okay.

16           MS. CONNELL: Sure.

17           MR. BEAR: "Dear members of the board.  
18 The Shasta County Board of Supervisors wishes to go  
19 on record in strong opposition to Senate Bill 542  
20 and Assembly Bill 196 which are attempts to reform  
21 the child support enforcement program in  
22 California. We are unanimously opposed to  
23 legislation in its current form. Too many  
24 questions remain unanswered regarding the  
25 implementation of so many major changes within such  
26 a short time period, not the least of which is a

1 proposed role which the Franchise Tax Board would  
2 play in the enforcement of child support  
3 collections.

4 As we understand the proposed legislation,  
5 it appears that at least 60 percent of the Shasta  
6 County support case load would be sent immediately  
7 to the FTB for enforcement simply because  
8 obligations exist which exceed 60 days worth of  
9 past due support.

10 Statewide we are told that the estimate is  
11 as high as 1.3 million cases which would suddenly  
12 come under the authority of the FTB for collection  
13 on arrears.

14 Some of disturbing questions are: Who  
15 then will be responsible for the day-to-day  
16 enforcement of child support collection cases? Who  
17 will answer questions posed by case participants?  
18 How will employers react when they receive multiple  
19 wage withholding orders from the FTB and from the  
20 local child support agencies? How will the  
21 accounting records be reconciled between the local  
22 child support agencies and the Franchise Tax  
23 Board? What is to become --" excuse me, "What is  
24 to become of displaced county staff who are no  
25 longer needed due to the reduction in enforcement  
26 case load at the local agency level?

1           The wording in the proposed legislation is  
2 unclear on these and many other topics. Left  
3 unresolved, these issues would severely impact the  
4 access to and level of child support enforcement  
5 services for our constituents here in Shasta  
6 County. The citizens of our community deserve to  
7 have the personal local service which is currently  
8 provided by our District Attorney's office.

9           For these reasons, it was the consensus of  
10 the Shasta County Board of Supervisors at their  
11 regular meeting on Tuesday, August the 10th, 1999,  
12 to vote in strong opposition to these bills.

13           We encourage the members of your board to  
14 consider carefully each of the issues before making  
15 a decision on this legislation.

16           Sincerely, Glen Hawes, Chairman, Board of  
17 Supervisors, County of Shasta."

18           MS. CONNELL: Thank you. In fact those  
19 are good questions. And Mr. Goldberg, can you kind  
20 of respond to them?

21           MR. GOLDBERG: I think many of them have  
22 already actually been addressed. I think probably  
23 the staff from Assemblywoman Kuehl's office and  
24 Jodi Remke is here, from Senator Burton's office  
25 would be better suited to respond than I.

26           We currently are not actually working with

1 Shasta County. We look forward to working with  
2 them in the future. But they're one of the three  
3 counties -- one of the four counties that we're not  
4 currently working with.

5 MS. CONNELL: Well, who, Mr. Goldberg, in  
6 your mind is going to be reconciling the accounting  
7 records between local child support agencies and  
8 the FTB?

9 MR. VRANNA: Could you clarify what might  
10 be meant by that reconciliation?

11 MR. BEAR: Well, typically a case  
12 participant would call our office and say, "I got a  
13 notice from the Franchise Tax Board that I owe X  
14 amount of dollars." Our records may reflect a  
15 different amount simply because of timing between  
16 money that was sent -- or collected from FTB and  
17 sent to us.

18 I understand that we're all talking about  
19 this grandiose statewide system where we'll all be  
20 connected, so to speak, but I don't see that  
21 happening for some years.

22 I know this is the kiss of death, but I  
23 did work on the SACS system and the design. What  
24 turned out to be a three-month design project  
25 turned into 14 months. So there's a difference  
26 between real time and automation time when it gets

1 comes to getting these projects.

2 So in the interim, the question is, how do  
3 we deal with that? Because if you think people are  
4 frustrated now, wait until they have to call our  
5 office and can't get an answer, and then they're  
6 calling your office and you're either unwilling or  
7 unable to give them the answer because you don't  
8 have the staff. That's where the local people are  
9 going to be up in arms. I can almost guarantee it.

10 MS. CONNELL: I think your board is astute  
11 in recognizing that the transition issues are ones  
12 that we need to resolve.

13 And I think Assemblywoman Kuehl's staff is  
14 still here, I think. I think they're listening in  
15 the audience, because I think this transition  
16 period -- do you want to come back up, Jodi, and  
17 join us here?

18 I think this transition issue is a very  
19 sensitive issue. I mean we're talking about a bill  
20 that may pass and may be signed by the governor  
21 going into effect January 1st of 2,000, but with an  
22 understanding that no one is going to be ready to  
23 transition to full implementation of this bill for  
24 18 months at the earliest, and perhaps three years  
25 down the line.

26 Jodi, what is the thinking of how we

1 respond to some of these issues? Pardon me?

2 MR. GAGE: Donna.

3 MS. CONNELL: Donna, I'm sorry. Of how we  
4 transition into some of these issues of cooperation  
5 with the counties in the interim? I mean we don't  
6 want phones ringing here at the FTB and not be able  
7 to have an answer, and forcing them to play a  
8 ping-pong game back to the county.

9 MS. HERSHKOWITZ: Absolutely. And that's  
10 something we're very concerned about. I mean this  
11 is a customer-driven program, and we need to make  
12 sure that the parents are treated fairly and they  
13 know where to go for the answers and they can get  
14 the help that they rightly deserve.

15 And what I want to reiterate is what I had  
16 said earlier, which is we are refining the language  
17 to make it clear what happens at the county level,  
18 what the local child support agency is responsible  
19 for, what FTB is responsible for, and probably more  
20 importantly for your purposes, what FTB is not  
21 responsible for.

22 And it is those calls from the parents  
23 that the local child support agency will continue  
24 to be responsible for.

25 Obviously the communication between the  
26 Franchise Tax Board and the local child support

1 agencies is going to have to increase. The  
2 frequency will have to increase.

3 I've talked with Franchise Tax Board and  
4 staff over the years, and I understand that there  
5 are communications between the board's staff and  
6 the DA's child support offices now, even on weekly  
7 basis, phone calls and faxes, not to mention the  
8 monthly transfer of tapes with the accounting  
9 information.

10 So those communications exist. The  
11 frequency will have to increase. Absolutely I  
12 think everybody recognizes that. But we are trying  
13 to very clearly delineate what happens in what  
14 location so people aren't being shuttled back and  
15 forth between the Franchise Tax Board the local  
16 child support agency. And so the local child  
17 support agency has all the information that it  
18 needs to have to effectively and efficiently do its  
19 job.

20 MS. CONNELL: Thank you. I think that's  
21 responsive to your question. It may not be the  
22 answer you wish, but it is responsive to your  
23 question.

24 Donna, please stay up here because you may  
25 be part of this again.

26 MR. BENNETT: Good afternoon, Madam

1 Chair. I'm Richard Bennett, president of the  
2 Coalition of Parents Support.

3 MS. CONNELL: Another welcome face.  
4 Another parent in front of the board. Thank you.

5 MR. BENNETT: We're the statewide  
6 organization that represents divorced dads and  
7 noncustodial moms who typically pay child support.

8 Personally I'd like to point out, I pay  
9 \$1,500 a month in child support to my ex-wife by  
10 court order and by wage assignment. But it doesn't  
11 go to the DA. And I've never had any contact with  
12 the DA's office around my child support issues or  
13 with Franchise Tax Board, because my ex-wife is one  
14 of the 78 percent of child support recipients who  
15 receives the support and has never found any need  
16 to open a case with the District Attorney's  
17 office. She's never been on welfare. And while I  
18 haven't always been a hundred percent prompt, you  
19 know, with my payments, I have been, for the most  
20 part, and presently she owes me money.

21 I just wanted to point out that the -- in  
22 the overall population of people who have child  
23 support obligations, it's a minority who are caught  
24 up in this, in the program that's currently run by  
25 the district attorneys. And it's a very specific  
26 minority of people who -- where the recipient of

1 child support has to sign over their child support  
2 rights as a condition for collecting welfare. And  
3 it's also people who have a problem, the hard  
4 cases, who need the assistance of the district  
5 attorney because they're not able to hire a private  
6 attorney to do the same things for them.

7 This is a program in California especially  
8 which, from its inception, has really been plagued  
9 by unrealistic expectations.

10 One of the issues that the state auditor  
11 statements highlighted in the appendix of his  
12 report is the fact that California has the highest  
13 child support guidelines in the country. We ask  
14 more as a percentage of income from our parents,  
15 from our parents who pay support than any other  
16 state.

17 And as the auditor pointed out, that's  
18 counterproductive because there are people who  
19 could comply with a more realistic level who don't  
20 have any incentive to comply because partial  
21 compliance and complete noncompliance are exactly  
22 the same as far as the law is concerned.

23 So if you can't make the full payment, you  
24 know, what a lot of people will do is put the money  
25 aside to pay for the attorney that they're going to  
26 have to have when the case goes to court.

1           So one of the policy recommendations that  
2 I made to the legislature's informational hearing  
3 in January where I was an invited speaker was that  
4 we really need to review this child support  
5 guideline in California.

6           And I really applaud the state auditor for  
7 having the courage to highlight that. It's the  
8 first time that any state official in California  
9 has gone on record and compared the level of our  
10 guideline to that of other states.

11           Another issue that we have is that we  
12 don't enforce visitation. So we -- the complete  
13 financial obligation is on the noncustodial parent  
14 to pay all this money, and we have all these  
15 enforcement tools in place to insure that that  
16 money flows. But in the 50 percent of divorce  
17 cases where the custodial parent willfully denies  
18 the other parent visitation, we don't have any  
19 effective enforcement mechanism for that.

20           Now, that's an important issue because the  
21 analyst who studied child support compliance from  
22 the Census Bureau and Dr. Sanford Brazier of  
23 Arizona State University have found there's a high  
24 correlation between visitation, joint custody, and  
25 compliance with child support orders. And that's  
26 another issue that the legislature has been

1 reluctant to deal with.

2 On the specifics of the Franchise Tax  
3 Board, the problem -- I mean we don't really ask a  
4 whole lot of the enforcement system. I mean we  
5 recognize the fact that whoever has this albatross  
6 around their neck is going to have to comply with  
7 the policies that come out of the legislature.

8 But we do ask that it's responsive in  
9 terms of customer service because there's a very  
10 checkered history, as I'm sure you're well aware,  
11 of accounting errors, botched computer systems, and  
12 inconsistencies in policy and application  
13 throughout the state.

14 The specific issue that we run into in the  
15 current -- with the current role of the Franchise  
16 Tax Board is the Franchise Tax Board goes to  
17 collect an arrearage, they automatically attach 50  
18 percent of the paycheck. Well, if the parent who's  
19 giving up that 50 percent on an arrearage, which is  
20 typically welfare reimbursement that's not going to  
21 go to the children, is also paying on average  
22 37-and-a-half percent of his net for the current  
23 support, 37-and-a-half plus 50 doesn't leave an  
24 awful lot out of that \$20,000 paycheck to live on.

25 And so we'd really like to insure that  
26 there's a discretionary mechanism to set the amount

1 of additional income that's grabbed to satisfy an  
2 arrearage at a level that's going to permit that  
3 person to pay their basic expenses and get to work  
4 every day. And that's an issue that has not been  
5 dealt with so far.

6 And I don't see -- if the management of  
7 these cases is actually going to be at the county  
8 level, and Franchise Tax Board is only going to do  
9 as the county directs, that shouldn't be a problem.  
10 But if we really have a bifurcated system, this is  
11 a potential issue. And any time you have two state  
12 agencies that have to exchange information with a  
13 high degree of frequency, there's a great  
14 opportunity for errors.

15 MS. CONNELL: Well, there's evidently more  
16 than two state agencies that will be exchanging  
17 information, plus a local agency.

18 Donna or Jerry, can you respond to this  
19 issue of the overlapping of the judgment against  
20 the noncustodial parent.

21 MS. HERSHKOWITZ: Again, one of the  
22 important things that we are discussing in the  
23 refinement of the language, the FTB section of  
24 these bills, is the ability of the Franchise Tax  
25 Board to begin, as they do with personal incomes  
26 tax delinquencies, to negotiate a payment schedule

1 that is workable for the noncustodial parent. So  
2 they are not taking 50 percent of the paycheck if  
3 that is not appropriate in the particular  
4 circumstances of that case.

5 That has been communicated to me by  
6 Franchise Tax Board staff as something they see as  
7 one of the most effective tools that we could give  
8 them.

9 Currently what happens is the Franchise  
10 Tax Board, when they put the earnings withholding  
11 order on, Mr. Bennett is absolutely correct, it's  
12 for 50 percent of the income. The case at that  
13 point, the noncustodial parent then says, "Wait a  
14 second. That's too much." The case at that point  
15 goes back to the local county agency who then  
16 adjusts by a wage assignment what the amount of  
17 current support and arrearages will be based on a  
18 discussion with the noncustodial parent.

19 This starts the flip-flopping of the case  
20 back between the local child support agency and the  
21 Franchise Tax Board. We hope to end that by giving  
22 the Franchise Tax Board the authority to do what  
23 they do so well in the income tax delinquency  
24 cases.

25 MS. CONNELL: Which is to settle on an  
26 amount which is more representative of the ability

1 to pay.

2 MS. HERSHKOWITZ: Right.

3 MR. VRANNA: On a monthly basis. One of  
4 the real improvements we've made in the personal  
5 income tax collection area in the last few years is  
6 to come up with more common sense solutions to  
7 installment agreements.

8 We've gone from a 40-percent default rate  
9 in the income tax arena to something around 2.2  
10 percent. And one of the key strategies is  
11 allowing -- working with debtors on a rational  
12 income and using electronic funds transfers that,  
13 in that case, taxpayers voluntarily agree to have  
14 come out of their bank account to pay off their tax  
15 obligation.

16 I would think this would be a very  
17 valuable tool to address just the issue that's  
18 being raised. 50 percent in many instances is  
19 irrational, and you have to negotiate an amount  
20 they can keep and make sure the monies come in to  
21 eventually resolve that arrearage.

22 MS. CONNELL: But it is anticipated in the  
23 bill, in response to Mr. Bennett's inquiry, that we  
24 are going to tighten up the language so that there  
25 will be some reflection, Mr. Bennett, of your  
26 concern so that we don't double team a noncustodial

1 parent and make sure that we are getting the  
2 correct amount that can be paid.

3 MS. HERSHKOWITZ: The discretion that  
4 Mr. Bennett talked about wanting to see, I believe  
5 is what -- exactly what we're building into the  
6 language of the bill.

7 MS. CONNELL: Is that responsive to you,  
8 Mr. Bennett?

9 MR. BENNETT: Yeah, it is, thanks. That's  
10 a good answer.

11 I guess finally, I could go on all  
12 afternoon, but you have other things to do.

13 MS. CONNELL: No. Actually I am willing  
14 to sit here as long as necessary. So I have not  
15 programmed myself for anything else, Mr. Bennett.

16 MR. BENNETT: Well, I do. I got to go to  
17 work today. I got to make that next payment.

18 We really want to only have to deal with a  
19 single agency. I mean ping-ponging cases back and  
20 forth between the FTB and the county, I can see is  
21 a problem, but the worst thing would be  
22 ping-ponging parents back and forth between two  
23 different or three different agencies of county and  
24 state government in order to resolve a problem.

25 And we worked with the child support  
26 assurance advocates that were up here earlier on

1 this complaint resolution bill last year and this  
2 year, AB 1961 and 472 because we found we had we  
3 had a common interest in insuring an efficient  
4 oversight and a fair and efficient l-o-w cost  
5 dispute resolution process. And that's going to be  
6 key no matter what other structural changes, you  
7 know, may take place in this system over the next  
8 months and years.

9 So try to bear in mind that most of the  
10 people who have child support obligations, we're  
11 parents, too. We're taxpayers. We're decent  
12 people. We want to comply with the law.

13 There's an awful lot of finger pointing  
14 and an awful lot of name calling that goes on.  
15 These are very emotional issues. You're talking  
16 about people's children and their money, which are  
17 probably the two things that are closest to our  
18 hearts.

19 Most of the people who have child support  
20 obligations who don't comply with them, general  
21 accounting office have studied this, they simply  
22 don't have the ability to pay. Nationwide, that's  
23 about 62 percent. In California, it's probably 75  
24 or 80 percent because of our larger poor population  
25 and our high guidelines.

26 A very large chunk of the people who do

1 have the ability to pay are withholding money  
2 because it's the only mechanism they have to  
3 enforce their visitation rights.

4 And yes, there is a hard core, you know,  
5 criminal element that you're only going to reach  
6 with hard core enforcement tactics, but please try  
7 and resolve those for the people where it's  
8 appropriate to use them. And don't paint us all  
9 with the same broad brush.

10 MS. CONNELL: We didn't really respond to  
11 Mr. Bennett's reference to visitation. I believe  
12 the bill is silent on this.

13 MS. HERSHKOWITZ: Yes, it is.

14 MS. CONNELL: Are you thinking, Donna, of  
15 any amendments that would intersect between the  
16 visitation and the child support issue?

17 MS. HERSHKOWITZ: At this point, there are  
18 no amendments that are planned that would address  
19 either the amount of the guideline support or  
20 anything about enforcement of visitation.

21 MS. CONNELL: That would be a separate --

22 MS. HERSHKOWITZ: I believe Assemblywoman  
23 Kuehl sees that as a separate issue for another  
24 day.

25 MS. CONNELL: Perhaps one that could be  
26 addressed by this new office of child support.

1 They are going to be very busy.

2 MS. HERSHKOWITZ: They are going to be  
3 very busy.

4 MS. CONNELL: Yes, Mr. Bennett.

5 MR. BENNETT: If I could clarify a little  
6 bit. There was some language in SB 240 by Senator  
7 Speier that dealt with the question of custody and  
8 visitation.

9 What you have in every county courthouse  
10 is an office that's called the Family Law  
11 Facilitator who's a free attorney that provides  
12 assistance with people that are filing in pro per,  
13 representing themselves in family court on child  
14 support issues.

15 Senator Speier wanted to expand the duties  
16 of that office to where they would also help people  
17 to obtain visitation and custody orders, and also  
18 help them to enforce those orders.

19 But unfortunately Assemblywoman Kuehl  
20 ripped that language out of the bill when it came  
21 before her committee, so it's not only that she's  
22 silent on the issue, but she's actively opposing  
23 it.

24 MS. HERSHKOWITZ: If I might. Senator  
25 Speiers' bill, when it came before the committee,  
26 had various pieces in it; the only one at that

1 point dealing with the Franchise Tax Board and  
2 their role, but that was pulled out of the bill.

3           There were various things that were pulled  
4 out of the bill in conflict or potentially in  
5 conflict with AB 196 and SB 542. But my memory is  
6 that none of the pieces of Senator Speier's bill  
7 which addressed the family law facilitator,  
8 including the appropriation of the money, were  
9 removed from that bill in the assembly judiciary  
10 committee.

11           Due to the summer recess the legislature  
12 is in, the bill has not yet come out in print. It  
13 will be in print early part of next week, Monday or  
14 Tuesday. And I believe Mr. Bennett will see that  
15 my memory of that is correct.

16           MS. CONNELL: Okay. Thank you. I'm going  
17 to move on to our -- I believe our last speaker.  
18 If I've missed anyone, please come forward.

19           Melanie Snider.

20           And thank you, Mr. Bennett, for your  
21 comments.

22           And Melanie.

23           MS. SNIDER: Hi. I am also a custodial  
24 parent, and I have classic nightmare case with --

25           MS. CONNELL: You are from Sacramento?

26           MS. SNIDER: Actually I live in Yolo

1 County currently. My case has gone through three  
2 different counties, and I won't trouble you with  
3 the details because we truly would be here all day.

4 But what I would like to go discuss, I  
5 think some of the issues that have been brought up  
6 today are more properly before the legislature  
7 because they deal with a lot of policy.

8 What I haven't heard today is what I think  
9 is more properly before the Department of Finance  
10 and the Franchise Tax Board, and that deals with  
11 the accounting and the numbers.

12 A lot of my problems have resulted because  
13 of a failure and a lack of auditing and accounting  
14 as far as the local bureau of support offices go.  
15 There's been lost money. Currently this month, I  
16 am now in contact with my ex-husband, and we call  
17 each other and say, "The payment was made. Did you  
18 get it?" And this month, I'm missing about \$200.  
19 And this is a fairly regular item.

20 MS. CONNELL: You make your payment to the  
21 local office, and the local office then forwards  
22 that payment?

23 MS. SNIDER: They've got a wage  
24 assignment.

25 MS. CONNELL: To him to you.

26 MS. SNIDER: Yeah.

1 MS. CONNELL: You're saying you're getting  
2 less than a hundred percent of the amount that he  
3 has actually paid?

4 MS. SNIDER: That's correct. That's  
5 correct.

6 MS. CONNELL: This is very disturbing and  
7 discouraging.

8 MS. SNIDER: I am not the only person. I  
9 am a drop in the bucket.

10 MS. CONNELL: But here you have a good  
11 relationship between -- or at least let's put it  
12 this way, you have an effective relationship  
13 between you and your ex-husband. The payment is  
14 being made, and a hundred percent of the payment is  
15 not being transferred.

16 MS. SNIDER: That's right. There was a  
17 period of about eight years where we were not in  
18 contact with each other. And through the services  
19 of ACES, we did locate each other because the  
20 California locate service was unable to locate him;  
21 however, the ACES locating service did find him in  
22 about two weeks.

23 And once we reestablished a working  
24 relationship, it was come to light that he had been  
25 paying for those eight years.

26 MS. CONNELL: Where had those payments

1       been made?

2                   MS. SNIDER:   That is a question that we  
3       are still trying to figure out.   And the point I  
4       would like to make is that until -- if we are going  
5       to have this new bureau, I think that part of your  
6       role must be to keep a tighter rein on where money  
7       comes from, where money goes to.   And I think that  
8       that's properly an issue that's before this board  
9       today.

10                   I hear all these numbers and all these  
11       statistics from everyone from the parents groups to  
12       the district attorneys to the auditors.

13                   MS. CONNELL:   Let me make sure I  
14       understand what our role is.   I think our role is  
15       only on those that are in arrears.

16                   If yours is not in arrears, yours is a  
17       different problem.   And I'm not suggesting it's not  
18       a significant problem, as alarming to think that  
19       that is a different issue we haven't touched on  
20       today, but I think it is a different problem  
21       because we only deal with the arrears payments.  
22       Those that are in the mind of a local agency,  
23       current, are not going to be sent over to the FTB,  
24       so we would never be able to track the fact that  
25       you have not --

26                   MS. SNIDER:   But my case did go through

1 the FTB because the payments he made went into, I  
2 don't know where, and he did end up in FTB. There  
3 was an FTB collection in my case.

4 MS. CONNELL: When the FTB collected, did  
5 you get a hundred percent?

6 MS. SNIDER: I did -- there were two times  
7 that I did get a hundred percent.

8 MS. CONNELL: So the problem isn't with  
9 our collection system in being able to transfer the  
10 hundred percent back to the parent. You again are  
11 referring to the nonFTB-related cases.

12 Now, we will hopefully, I hope to God  
13 never have to deal with all of the child support  
14 payments in California. We will be just dealing  
15 with the ones that are delinquent.

16 So I think this is an issue you just want  
17 to alert the senator and the assemblywoman to, that  
18 at some point in the future, this may be another  
19 bill that needs to be crafted because obviously  
20 that's separate from what we're doing here.

21 MS. HERSHKOWITZ: This is a huge problem,  
22 and it's a problem that we all acknowledge, and  
23 it's one of the driving forces behind the  
24 legislation.

25 One of the things that we hope will solve  
26 this problem is the automation. Part of the

1 automation case management system is going to be an  
2 accounting system.

3 One of other things that people have  
4 talked about that we have to develop is a statewide  
5 disbursement unit which is essentially cashiering  
6 function.

7 These things together, an automated system  
8 where somebody is accountable for it and that is  
9 accurately tracking this information, hopefully  
10 will solve those types of problems.

11 We've seen it time and time again. We  
12 hear from our constituents. Before I came to the  
13 legislature, I worked in a nonprofit public agency  
14 Family Law Center. These were my clients. They  
15 had the same problems day in and day out. Payments  
16 went in and were never received by them.

17 This is literally one of the driving  
18 forces behind this, this problem, and it is very  
19 much being addressed by the uniformity that we're  
20 creating and by the automation that is going  
21 forward in Assemblywoman Aroner's bill.

22 MS. CONNELL: The automation being the  
23 data system overall, not the collection automation  
24 system?

25 MS. HERSHKOWITZ: Right, right. Not the  
26 ARC system but the case management system.

1 MS. CONNELL: Right.

2 MS. ALEXANDER: It brings up an  
3 interesting issue, though, because as far as she  
4 was concerned, the payments were delinquent. She  
5 didn't receive any money for eight years. As far  
6 as he was concerned, the payments were current  
7 because he was continuing to make the payments.  
8 Where would that fall, and whose responsibility  
9 would that be?

10 MS. HERSHKOWITZ: Well, you know, it is  
11 really interesting. It actually raises a whole  
12 host of questions in my mind. Such as, you know,  
13 if those payments actually did go to the local  
14 child support agency over the eight years, guess  
15 who's been collecting the interest on it? Not  
16 Melanie whose money it should have been and in  
17 whose bank account it should have been sitting in,  
18 but the district attorney's office.

19 MS. CONNELL: Certainly help to have good  
20 cash management and investment policies set up  
21 because when we levy -- we may have to put a levy  
22 against the District Attorney's office or the  
23 social services office to get the payment back,  
24 that would be a curious twist.

25 MS. HERSHKOWITZ: That would be  
26 fascinating.

1 MS. CONNELL: I wonder if we can do that,  
2 Jerry. Could we levy against a public agency?

3 MS. HERSHKOWITZ: So it does raise a whole  
4 host of questions.

5 Now, I think what it sounds like I hear  
6 Melanie saying, and I heard a lot of my former  
7 clients saying this before I came to the  
8 legislature, is the money sort of went into a black  
9 hole. The money came in, and for some reason, the  
10 computer system or manual system that the county  
11 was working on, didn't identify the money with  
12 Melanie's case, so as far as the county was  
13 concerned in that particular instance, they thought  
14 it was delinquent, a delinquent case. So that  
15 case, because they thought it was delinquent, would  
16 have been referred to the Franchise Tax Board.

17 Now, with the automation project again,  
18 that shouldn't happen. We should know when a case  
19 truly is delinquent, and we should know when a case  
20 truly is current.

21 MS. SNIDER: And my point in bringing all  
22 this up, other than to alert you that really, I  
23 feel like I'm probably more typical than not, is  
24 that while you're crafting your end of the program  
25 here, perhaps there should be some thought into  
26 some oversight, some monitoring, and some auditing

1 measures on your part to assure that you don't have  
2 to deal with the same nightmares that have been  
3 proliferating through the District Attorney's  
4 offices. Thank you.

5 MS. CONNELL: Thank you. I'm going to  
6 just close with a deep sense of a appreciation for  
7 all of you who have been here today. This has been  
8 highly illuminating. Obviously this is dynamic  
9 situation which is very much in flux.

10 I would just request, Mr. Goldberg, that  
11 you keep us informed of all the daily iterations  
12 that are occurring as individual members of the  
13 board and the board as a whole.

14 I will be calling a meeting of the FTB  
15 board shortly in September so that we can deal with  
16 legislative activity that is going on and be  
17 responsive to the timing of the authors in the bill  
18 so they can get our direct board action and  
19 concerns reflected in a more formal fashion than we  
20 are today.

21 I would ask that if any of you have  
22 additional thoughts, that you feel free to contact  
23 us. We want to stay on top of this, not only now  
24 but as we move into the transition period where the  
25 FTB's role will change and evolve.

26 We want to maintain that kind of

1 relationship with all of you who have been kind  
2 enough to come here today because it truly is going  
3 to be an extended effort to get the system right.  
4 It's going to require a great deal of good faith  
5 and trust among all of us, and it is going to  
6 require a new level of partnership that I think has  
7 not been adequately represented in the past.

8 Mr. Goldberg, did you want to offer  
9 something?

10 MR. GOLDBERG: I just wanted to say that I  
11 have a statement here from Lenny Goldberg on behalf  
12 of Children Now, that he has asked that it be put  
13 into the record.

14 MS. CONNELL: Good. Do you want to put  
15 that in now by reading, or do you just want to  
16 submit it to the record?

17 MR. GOLDBERG: I'll just submit it.

18 MS. CONNELL: I appreciate that.

19 And I want to thank you all again, and we  
20 will continue these conversations in September.  
21 Thank you.

22 (End of proceedings at 1:40 p.m.)

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26

1 State of California )  
2 County of Sacramento )

3  
4 I, PATRICIA COWARD, hereby certify that  
5 the foregoing proceedings were taken at the time  
6 and place herein named; that this transcript is a  
7 true record of the proceedings as reported to the  
8 best of my ability by me, a duly Certified  
9 Shorthand Reporter and disinterested person, and  
10 were thereafter transcribed under my direction into  
11 typewriting by computer.

12 I further certify that I am not interested  
13 in the outcome of said action nor connected with  
14 nor related to any of the parties in said action  
15 nor to their respective counsel.

16 Date: August 17 1999.

17  
18 Patricia Coward

19 PATRICIA COWARD, CSR No. 5142

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