

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

**WEDNESDAY, APRIL 21, 1999
STATE CAPITOL, ROOM 444
1:30 P.M.**

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5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CHILD WELFARE SERVICES WORKLOAD STUDY (FINANCE LETTER)

The department requests the addition of budget bill language to the budget proposal to reappropriate the balance of the funds for the child welfare services workload study.

Recommendation: Approve the Finance Letter.

ISSUE 2: ADOPTIONS CASEWORKERS

The budget proposes an increase of \$1.6 million (\$823,000 General Fund) and 27.9 permanent positions to address caseload growth in the adoptions program.

Recommendation: Approve as Budgeted.

ISSUE 3: FOSTER CARE GROUP HOME AUDITS

The budget proposes \$528,000 (\$264,000 General Fund) to continue eight positions on a permanent basis to conduct audits of group home programs.

Recommendation: Approve as Budgeted.

ISSUE 4: CHILD WELFARE SERVICES/CASE MANAGEMENT SYSTEM

The budget proposes \$476,000 (\$238,000 General Fund) to continue 7.5 positions on a permanent basis to support the workload associated with the maintenance and operations of the Child Welfare Services/Case Management System.

Recommendation: Approve the positions on a two-year limited term basis.

ISSUE 5: TRANSITIONAL HOUSING PROGRAM

The budget proposes an increase of \$67,000 (\$33,000 General Fund) and one position to provide technical assistance and consultation to counties as they establish transitional housing programs for foster care youth.

Recommendation: Approve the positions on a two-year limited term basis.

ISSUE 6: FOSTER FAMILY HOME AND SMALL FAMILY HOME INSURANCE FUND

The budget proposes an increase for the Foster Family Home and Small Family Home Insurance Fund from \$1,503,000 to \$3,000,000 in order to meet liabilities incurred by licensed foster parents as mandated by state statute.

Recommendation: Approve as budgeted.

ISSUE 7: CAPIT

The budget proposes \$445,000 from the General Fund and four positions to administer the Child Abuse Prevention, Intervention and Treatment (CAPIT) programs.

Recommendation: Approve funding and authority for two Social Service Consultant positions on a two-year limited term basis.

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 8: INDEPENDENT LIVING PROGRAM

The Legislative Analyst' Office (LAO) recommends a General Fund reduction of \$4.9 million in 1998-99 and \$5.7 million in 1999-00 because the budget exceeds the amount needed to fully fund the program.

BACKGROUND:

The Independent Living Program (ILP) provides services (such as job seeking skills) that will help a child transition from foster care to independent living. County welfare departments provide or arrange for the provision of services. Individuals who leave foster care at age 18 may face additional hardships than individuals who have grown up with their biological families. Some of these hardships include lack of family support, lack of housing, and emotional problems. One of last year's budget trailer bills extended eligibility for the program from ages 16 through 18 to ages 16 through 21. In addition, the Budget Act of 1998-99 included an augmentation to "fully fund" the program for the first time. The budget includes total expenditures of \$24.9 million (\$11.4 million General Fund) in 1998-99 and \$28.7 million (\$15.2 million General Fund) in 1999-00 for the ILP.

The LAO believes that the budget proposal goes beyond the amount needed to fully fund the program for two reasons. First, it is based on an assumption that all eligible foster care youths will choose to participate in the program, even though participation is voluntary. The LAO believes that this assumption is unrealistic since some foster youth will choose not to attend the training program, perhaps on the basis that they have received adequate guidance from their foster parents. Secondly, the budget assumes that all individuals who participate in the program in the current year will choose to participate again in the following year if they have not emancipated from foster care. The LAO believes that this is also an unrealistic assumption, as many of these foster youth are likely to view repeat participation as unnecessary.

The LAO indicates that it is difficult to estimate the degree of voluntary participation because in past years the program was not fully funded and therefore it is not known to what degree the lack of funding was responsible for nonparticipation. Absent such data, the LAO believes that it would be more reasonable to assume an overall participation rate of 80 percent for the budget year rather than the 100 percent rate assumed in the budget.

COMMENTS:

- The department indicates that it is difficult to estimate the need to fully fund the program due to lack of data on actual experiences.
- All of the current year funds have already been allocated to the counties.
- Assemblymember Steinberg has introduced a bill, AB 1163, which would (1) require the DSS to develop statewide standards and guidelines for the implementation of the program and the delivery of services to achieve optimal outcomes, (2) require the counties to submit, with their annual report, a breakdown of their expenditures of ILP funds based on a continuum of services, and (3) require counties to include in their annual report an accounting of outcomes achieved by and characteristics of the foster youth in their programs.

ISSUE 9: FOSTER CARE OMBUDSMAN

The budget proposes an increase of \$312,000 (\$156,000 General Fund) and three positions to develop the Office of the Foster Care Ombudsman. These positions represent the staff to set up the program, but would not respond to complaints.

The department also requests, through a Finance Letter, an increase of \$184,000 (\$92,000 General Fund) and three additional positions to the budget proposal to support this office. These positions represent the staff who would investigate and resolve complaints.

BACKGROUND:

Current law requires the department to establish the Office of the Foster Care Ombudsman to allow children who are placed in foster care with a means to resolve issues related to their care, placement, or services. The Office of the Foster Care Ombudsman must do the following:

- Disseminate information on the rights of children and youth in foster care and the services provided by the Office,
- Investigate and attempt to resolve complaints made by or on behalf of children placed in foster care,
- Decide, in its discretion, whether to investigate a complaint, or refer complaints to another agency for investigation,
- Upon rendering a decision to investigate a complaint from an individual, notify the individual on the intention to investigate,
- Update the individual who made the complaint on the progress of the investigation and the final outcome,
- Document the number, source, origin, location, and nature of complaints,
- Compile and make available to the Legislature specific data collected over the course of the year,
- Have access to any record of a state or local agency that is necessary to carry out his or her responsibilities and may meet or communicate with any foster child in his or her placement or elsewhere, and
- Establish a toll-free number for the Office.

The department proposes that all the staff be located in Sacramento and that staff would have to travel within and out of the state to investigate complaints.

COMMENTS:

- The California Youth Connection (CYC) is an advocacy organization of current and former foster youth. The CYC has been participating in meetings on the development of the Foster Care Ombudsman program and recommends that the Ombudsman staff be located regionally throughout the state. In addition, the proposed level of staffing may not be sufficient to handle the workload.

For example, the department estimates that 90 percent of the calls would average only five minutes. However, the department has also indicated that the current Interim Foster Care Ombudsman handled several calls regarding requests for assistance in 1998 and each call lasted more than 20 minutes. In addition, three to five additional calls were made to resolve the issue or to obtain enough information to determine what action should be taken.

Also, the department estimates that ten percent of requests for assistance will require a site investigation. However, the State of Michigan Ombudsman Office found that 50 percent of its requests for assistance required complete investigations in 1997-98.

- Senator McPherson has introduced a bill, SB 903, which would authorize the Office to establish, in consultation with a committee of interested individuals, regional or local foster care ombudsperson offices for purposes of expediting investigations and resolving complaints.

ISSUE 10: CHILDREN'S EMERGENCY SHELTERS

The Counties of Humboldt, Los Angeles, Mendocino, Orange, Placer, San Joaquin, Santa Clara, Sonoma, and the Urban Counties Caucus have requested that the subcommittee consider an augmentation of \$12 million from the General Fund to increase funding for all stays in children's emergency shelters from 30 to 60 days.

BACKGROUND:

In some counties, children who are removed from their home go first to a receiving home or emergency shelter. These places provide a safe environment within which initial interviews and medical exams can be performed. In addition, social workers at these shelters often make decisions regarding where children should be placed.

Some counties indicate that in the past several years, the children who have been detained in the emergency shelters have become increasingly difficult to place. As a result, emergency shelters become placement settings for children who have failed numerous placements or for whom no appropriate placement can be found. These instances lead to emergency shelter placements which last longer than 30 days.

Last year, the Assembly Subcommittee No. 1 provided a \$12 million General Fund augmentation to extend state funding from 30 to 60 days for county-operated emergency shelter care if the county could demonstrate efforts to develop additional out-of-home care and in-home service resources. The subcommittee also adopted trailer bill language requiring the DSS to provide related support, technical assistance and training to assist counties in the effort. However, these provisions were not included in the Budget Act of 1998-99.

COMMENTS:

- Opponents would argue that the goal should be to move children out of emergency shelters and into stable foster care placements as quickly as possible and that providing additional state funding would delay the counties' efforts to do so. The counties' proposal includes the adoption of trailer bill language to require counties to report on the number and ages of children receiving emergency shelter care, the circumstances that require stays of longer than 30 days, and the counties' efforts to develop additional resources to limit the length of stay in emergency shelter care.
- Department regulations limit state and federal funding for emergency shelters to 30 calendar days in any one episode. The department indicates, however, that counties may draw down state funds at a 50 percent matching rate for certain "emergency assistance" cases only beyond 30 days. (Prior to federal welfare reform, counties were able to draw down federal Emergency Assistance funds using county funds as a match.)

ISSUE 11: KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM

The budget proposes an increase of \$395,000 (\$197,000 General Fund) and 4.5 permanent positions to implement the Kinship Guardianship Assistance Program (Kin-GAP) and other legislative mandates regarding kinship care.

The budget also includes total costs of \$61 million for the Kin-GAP grants in local assistance. These costs are offset by \$55.3 million in savings in Child Welfare Services administration, foster care payments, and CalWORKs payments.

BACKGROUND:

Currently, approximately 43 percent of foster care children live with relatives, referred to as "kinship care" placements. The department indicates that additional staff is needed to address workload associated with the following legislative mandates:

- **Kin-GAP.** The department must develop and implement the Kin-GAP program, which provides subsidies to relatives who take guardianship of dependent children in their care and exit the foster care system. The department must establish a Kin-GAP rate by July 1, 1999, in collaboration with the County Welfare Directors Association (CWDA), the California Partnership for Children, the California State Association of Counties, and other key representatives as identified by the department.

The KinGAP rate is a flat rate and is limited to 85 percent of the foster care basic rate. The budget assumes that the Kin-GAP rate would be \$390.98 per month. Currently, 57 percent of relative providers receive an average foster care grant of approximately \$460 per month. The other 43 percent receive approximately \$207 per month in CalWORKs payments. The budget assumes that 15 percent of relatives will opt into the Kin-GAP program due to the incentive of removing court involvement in their case. In addition, the budget assumes that 75 percent of relative providers that receive the CalWORKs payments will opt into the Kin-GAP program to receive the higher grant amount.

- **Kinship Care Program.** Current law expresses legislative intent for the department to work with counties, federal officials, kinship caregivers, and other interested parties to develop a plan to establish a Kinship Care program that is separate and distinct from the current foster care program.
- **Legislative Report.** The department must submit a report to the Legislature by January 1, 2002, regarding the number of children placed with relatives, the availability of relative placements, and the incidences of crimes perpetrated against foster children living in the homes of relatives.

- **Kinship Support Services Program.** The department provides administrative support for the Kinship Support Services Program which provides grants to qualified counties for the start-up or expansion of county kinship support services programs.
- **Relative Assessment Guidelines.** The department, in collaboration with the CWDA, must develop a set of relative assessment guidelines for counties to use to ensure that relative caregivers were sought and appropriately considered and assessed for placement of a dependent child.

COMMENTS:

- The department indicates that the rate used to develop the budget proposal is a “placeholder” amount and that the issue will be revisited during the May Revision. There have been different proposals regarding what the rate level should be. There are various factors that need to be considered in developing the rate.
- Currently, the foster family home basic rate differs depending on the age of the child:

Basic Monthly Rate for Foster Family Homes					
1998-99					
Age	0-4	5-8	9-11	12-14	15-18
Rate	\$375	\$408	\$436	\$483	\$528

Although the \$390 rate assumed in the budget is above the basic rate for children ages 0-4 years, there is little fiscal incentive for relatives receiving foster care rates higher than this amount to opt into the Kin-GAP program. One option would be to provide for different Kin-GAP rates based on age. This would require a statutory change.

- If the Kin-Gap rate is higher than the foster care rate (as has been proposed by some groups), the rate would be higher than the Adoptions Assistance Program rates which could be a fiscal disincentive to adopt. The Adoptions Assistance Program provides grants to families who adopt children with special needs.

ISSUE 12: FAMILY PRESERVATION PROGRAM

The budget proposes expenditures of \$31.3 million in 1998-99 and \$34.3 million in 1999-00 for local assistance for the Federal Family Preservation and Support Program.

BACKGROUND:

In 1993, federal law established a new, capped entitlement program to provide funding for family preservation and community-based family support services for federal fiscal years 1994 through 1998. Although the legislation authorized funding for five years only, recent federal law reauthorized funding for three more years. These funds cannot be used to supplant existing state or local funding.

Family preservation services include programs to: (1) help children reunite with their biological families, (2) prevent placement of children in foster care, (3) provide follow-up services to families after a child has been returned from foster care, (4) provide respite care, and (5) provide services to improve parenting skills. Family support services include activities to: (1) promote the well-being of children and families, (2) increase the strength and stability of families, (3) increase parents' confidence and competence, and (4) enhance child development.

COMMENTS:

Although the budget includes an additional \$3 million in federal funds for family preservation and family support activities, the budget does not assume any foster care savings that would result from preventing children from entering into foster care placements or returning children in foster care placements to their families. The department indicates that it plans to address this issue in the May Revision.

ISSUE 13: HEALTH SERVICES FOR CHILDREN IN FOSTER CARE

In 1998, the Institute for Research on Women and Families at California State University, Sacramento, released a report entitled "Code Blue: Health Services for Children in Foster Care." This report contained numerous recommendations to the Legislature and Governor to address the inadequacy of health care services for foster care children.

BACKGROUND:

According to the report, state policy does not guarantee that children, when removed from their homes, will be fully screened or assessed in a timely manner for medical, psychological, developmental and dental conditions. Although access to comprehensive health care services could aid in stabilizing placement decisions, comprehensive health care can be difficult to obtain or unavailable.

The report indicates that as a group, children in foster care suffer high rates of serious physical or psychological problems compared with other children from the same socioeconomic backgrounds. Nearly 50 percent suffer from chronic conditions such as asthma, cognitive abnormalities, visual and auditory problems, as well as developmental delays or emotional and behavioral problems. Approximately 40-72 percent require ongoing medical treatment, and studies indicate that 50-60 percent have moderate to severe mental health problems. The cause of these conditions are multiple and stem from exposure to alcohol and drugs, lack of medical care, poor parenting, domestic violence, neglect, and unstable living conditions prior to family removal. The trauma of family separation, frequent moves and the stress and disruptions brought about by temporary placements in the foster care system compound these conditions.

Pre-existing conditions are frequently overlooked. For example, foster care children rarely enter the system with useful health records or mental health histories. Due to heavy workloads, social workers frequently lack the time and training to track health data.

The following lists just a few of the report's recommendations:

- All children entering the foster care system should have an initial health screen prior to placement, but no later than 72 hours after detention,
- The state should ensure immediate and continuous Medi-Cal eligibility, including a universal foster children's health access card,
- Regulations should be adopted that require a mental health assessment to be initiated within 30 days of placement and completed within 60 days,

- Services to foster youth should be improved by encouraging county departments of health services and mental health to co-locate mental health professionals in offices or clinics that serve large numbers of children in foster care,
- Comprehensive and periodic developmental assessments should be conducted for children under six years of age,
- Foster care public health nurses should be assigned to county child welfare units to assist case workers with coordination of all health care services (including physical, mental, developmental and dental) and to serve as a contact person for the health community,
- The Department of Social Services and the Department of Health Services should push for uniform practices in all counties to expeditiously qualify children entering the system for Medi-Cal who are not already on Medi-Cal,
- The “red tape” should be reduced in the Medi-Cal eligibility process,
- The state should increase the pool of providers by reducing barriers to participation,
- Training and education for foster and health care providers should be increased.

COMMENTS:

- Assemblymember Aroner has introduced a bill, AB 607, which would establish the Foster Children’s Health Care Services Act and require that (1) counties use the services of a foster care public health nurse to assist in coordinating health care services (2) the Department of Health Services develop a universal fee-for-service Medi-Cal access card, (3) an initial health screen be completed prior to a child’s detention hearing, and (4) the Health and Human Services Agency coordinate the responsibilities of the Departments of Health, Social Services, Mental Health and Developmental Services to ensure a comprehensive system of social services and health care for children in foster care.
- Current law requires county mental health departments that receive full Systems-of-Care funding to provide mental health screening, assessment, participation in multidisciplinary placement teams and specialty mental health treatment services for children placed out of home in group care, for those children who meet the definition of medical necessity, to the extent resources are available. The Department of Mental Health is also required to develop, by June 1, 1999, an estimate of the extent to which mental health assessment and treatment resources are available to meet all of the following needs: (1) children placed in group care by county departments of social services and probation (2) children placed in out-of-home care by county departments of social services, and (3) children at risk of placement out of home who are receiving services from county department of social services or probation.

At a previous hearing, the subcommittee provided a General Fund augmentation of \$12.4 million to expand the Children’s System of Care program to 11 additional counties and to fully fund the program in Los Angeles County.

ISSUE 14: FOSTER CARE REFORMS

The Budget Act of 1998-99 included various augmentations for the Children and Family Services Division of the department and local assistance for activities related to foster care reform. Many of the required new activities were contained in one of last year's budget trailer bills.

The department has been asked to provide a status update of implementation in the current year.

BACKGROUND:

The Budget Act of 1998-99 included funding for the following activities:

- **Family Assessment.** The department must develop statewide standards and a process for child and family assessments.
- **Augmentation for County Placement Workers.** The Budget Act of 1998-99 provided a \$40 million General Fund augmentation to counties to provide emergency response to allegations of abuse and neglect.
- **Automation Systems.** The department must establish a central database for out-of-home care that links the Child Welfare Services/Case Management System to the Licensing Information System.
- **Innovative Programs.** Counties and nonprofit organizations are allowed to develop new programs and alternatives for foster care.
- **Day Treatment and After-Care Services.** The Supportive and Therapeutic Options Program (STOP) expands day treatment and after-care services in order to prevent placement in out-of-home care and/or to provide after-care services to facilitate a successful transition to the home or community from out-of-home placements.
- **Placement Protocol.** The department must develop a placement protocol for planned admissions that includes sharing health, mental health, and educational information.
- **Monthly Visits.** Counties must visit children residing in group homes at least monthly.
- **Professional Staff Training.** The current professional staff training program curricula must be expanded to address family-based services and include other licensed professions and non-county employees.

- **Financial Audits.** Group homes and foster family agencies must submit annual, independent financial audits of their agencies to the department.
- **Provisional Rates.** New group homes and programs receive provisional rates pending a mini audit, prior to establishing a permanent rate.
- **Fraud Unit.** A fraud unit was established to pursue allegations of criminal wrongdoing by group home licensees.
- **Role of Foster Care Placement Options.** State law requires the re-examination of group homes, foster family agencies, and foster family homes.
- **Federal Funds for Staff Training.** The department must amend the state's federal Title IV-E plan to permit the use of federal matching funds for staff training of private nonprofit agency employees.

The following lists some of the activities required by statute that did not have any funds associated with them in the Budget Act of 1998-99:

- **Responsibility for Investigations.** The department must develop a protocol by January 1, 1999 to determine who should have responsibility to investigate allegations of child abuse and neglect.
- **Audit Appeal Process.** The department must review the current audit appeal process and make recommendations for modification by January 1, 1999.
- **Programmatic and Administrative Requirements.** State law requires the development of programmatic and administrative requirements for group homes, foster family agencies, and foster family homes based on the re-examination of their roles.
- **Law Enforcement Task Force.** State law requires the establishment of a law enforcement task force to identify and recommend by January 1, 1999, additional specific statutory or regulatory changes to permit criminal prosecution in the recovery of funds misappropriated by group home licensees.

COMMENTS:

- Although the budget includes \$12.7 million in the current and budget years for the STOP, the budget does not assume any foster care savings that would result from preventing children from entering into foster care placements or returning children in foster care placements to their families.

- During the foster care reform meetings last year, there was considerable discussion regarding capacity for juvenile probation placements within the state and within their own counties. The lack of adequate placement options, at county and regional levels, was one of the key factors identified as contributing to the large number of juveniles placed out of state. As mentioned above, the state must certify that out of state placements meet California licensing standards. The intent of this provision was not to limit out-of state placements altogether until the program need could be assessed and adequate placement options developed in-state. The foster care reform discussions included recommendations for the development of a program development fund, designed to provide technical support and help counties and regions develop foster care programs. There are approximately 5,000 probation placements in foster care group homes. However, funding was not available for the proposal.

In certifying all out-of state placements receiving foster care dollars from California, the department has found that a number of the facilities do not meet California licensing standards. In at least three instances, facilities have not been certified, resulting in the return of juveniles in those facilities back to California. A disproportionate number of these minors placed out-of-state have mental health problems. Currently there are few specialized placement options in the state designed to meet their needs which has led to the concern for the need to build more out-of home placement capacity for juveniles with mental health needs.

ISSUE 15: FOSTER CARE PROVIDER RATES

The budget includes \$20.7 million (\$5.1 million General Fund) to provide a 2.08 percent COLA for foster family homes and group homes, effective July 1, 1999.

For 1999-00, current statute requires that group homes receive a COLA, but that foster family homes and foster family agencies receive a COLA subject to the availability of funds.

BACKGROUND:

The following table summarizes the different types of foster care placements and the COLAs and rate increases that were included in the Budget Act of 1998-99 and that are proposed for 1999-00.

FOSTER CARE COLAs AND RATE INCREASES BY TYPE OF FOSTER CARE PLACEMENT 1998-99 and 1999-00				
Placement Type	Description	Monthly grant per child (98-99)	Budget Act 1998-99	1999-00 proposed
Foster Family Homes	<ul style="list-style-type: none"> ➤ Residential facility that serves no more than six foster children ➤ Provides 24-hour care and supervision in a licensee's home ➤ Foster care basic grant may be supplemented for care of children with special needs 	\$375-\$528 (basic rate)	6% rate increase 2.84% COLA	2.08% COLA
Foster Family Agency (FFA) Homes	<ul style="list-style-type: none"> ➤ Homes operating under nonprofit foster family agencies which provide professional support ➤ These placements are required by law to serve as an alternative to group home placement 	\$1,362-\$1,607	6% rate increase	None
Group Homes	<ul style="list-style-type: none"> ➤ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children ➤ Generally, serve children with higher emotional or behavioral problems who require a more restrictive environment 	\$1,254-\$5,314	6% rate increase	2.08% COLA

COMMENTS:

- Group home provider associations have requested that the subcommittee consider a 6.75 percent rate increase in 1999-00 and another 6.75 percent rate increase in 2000-01 for group homes and foster family agencies. The associations indicate that it has become increasingly difficult for group homes to compete for and retain qualified staff and for FFAs to recruit and retain qualified foster parents. According to the department, this would require additional General Fund expenditures of \$19.1 million and county costs of \$28.7 million in 1999-00.
- Assemblymember Ashburn has introduced a bill, AB 1225, which would provide a COLA and 6.75 percent rate increase in 1999-00 and another COLA and 6.75 percent rate increase in 2000-01 for group homes and foster family agencies. As noted above, the COLA for the group homes is already included in the budget for 1999-00. Assemblymember Ashburn has also introduced AB 1235, which would provide a 19 percent rate increase for foster family homes.
- Currently, six counties provide basic rates for foster family homes that are higher than the statewide basic rate. The six counties include: Los Angeles, Orange, San Diego, San Mateo, Santa Clara, and Marin. Statute requires that counties receiving state funding for the higher rates only receive one-half of any COLA until the difference between the county rate and the statewide rate is eliminated. There have been concerns raised that a full, rather than partial COLA, is needed to help retain and increase the availability of foster family homes. The department estimates that providing a full COLA in these counties for foster family homes would require an additional General Fund augmentation of \$500,000 in 1999-00.
- The department estimates that providing a 2.08 percent COLA for FFAs in 1999-00 would require an additional \$2.5 million from the General Fund. This includes FFA rates for the intensive treatment programs and the infant supplement programs.

ISSUE 16: SUBSTANCE ABUSE/HIV CHILD ADOPTION PROGRAM

The budget proposes to eliminate funding for the Substance Abuse/HIV Child Adoption Program.

The Legislative Analyst' Office (LAO) recommends continuing the program because this is a new program established by statute in the current year and the administration has no policy rationale for eliminating it. The LAO withholds recommendation on the appropriation, pending receipt of information from the department on estimated current-year expenditures for the program. The LAO further recommends supplemental report language requiring the depart to submit a report by March 1, 2000 on the program's implementation, and a subsequent report by December 30, 2000 on the program's outcomes and effectiveness, and the extent to which it has accomplished its purposes.

BACKGROUND:

The Options for Recovery Program was established as a demonstration project in 1989 to provide recruitment, training, and respite care services to foster families that care for children who have medical problems due to substance exposure or are HIV positive. There are savings in the foster care program from diverting children from higher cost out-of-home placements. In 1997, the budget trailer bill made the Options for Recovery program a permanent program which is available to counties which request participation and provide the required county match. Funding for the program is limited to the Budget Act appropriation.

Currently, there are initiatives to increase the number of foster care children who are adopted each year. Substance-exposed or HIV positive foster care children who cannot return home have medical problems which make adoption placement difficult. Last year, the Assembly Budget Subcommittee No. 1 provided a \$1 million General Fund augmentation to provide services to adoptive and preadoptive families that were similar to services provided through the Options for Recovery program. This was an effort to help increase the opportunities to find adoptive homes for foster children who could not return home. The Budget Act of 1998-99 also included budget bill language which authorized the use of \$59,000 from the augmentation to fund the cost of state administration of the program.

However, Governor Wilson vetoed the funds and the budget bill language due to a disagreement over the budget trailer bill provisions governing the program. Subsequently, legislation was enacted to implement the new adoptions program and contained a General Fund appropriation of \$1 million. However, the legislation did not contain funding authority for state administrative support.

COMMENTS:

- The LAO notes that the department has not implemented the program and that the department indicates the delay is due to higher priorities and a lack of staff resources.
- The department sent a letter to the counties on March 23, 1999, asking for interested counties to submit county plans by April 9, 1999. The department indicates four counties (Los Angeles, Monterey, Santa Clara, El Dorado) have submitted plans and has extended the deadline for two more counties (Riverside and San Luis Obispo) which have not yet submitted their plans.
- If the subcommittee decides to provide funding for the program in the budget year, there should be some unspent current year funds that would be available for reappropriation that could be used to offset a General Fund augmentation in the budget year. In addition, the subcommittee may want to consider providing funding authority for state administration.

ISSUE 17: FEDERAL ADOPTIONS AND SAFE FAMILIES ACT

The budget proposes an increase of \$311,000 (\$155,000 General Fund) and the establishment of 5.5 permanent positions to meet the new federal requirements contained in the Adoptions and Safe Families Act.

The Legislative Analyst' Office (LAO) indicates that delays in implementing the statewide child welfare automation system could prevent the department from meeting the August 1999 reporting deadline to qualify for federal adoptions incentive payments. The LAO recommends that the department (1) consult with the federal administration on possible alternative means of submitting the required data, should it become necessary, and (2) provide the budget subcommittees with a status report on this issue during the hearings.

BACKGROUND:

The new federal law provides federal funding incentives and disincentives to states in order to increase the annual number of adoptive placements. A major provision of the law requires states to develop plans for the effective use of resources across state and/or county jurisdictions to facilitate timely adoptive or permanent placements for children in foster care. There would be reductions in federal funding if a state denies or delays the placement of a child for adoption when an approved family is available outside of the adoption agency's jurisdiction, or if a state fails to grant a hearing to an individual alleging such a violation.

State administration. The department indicates that the increase in staff is needed due to the following:

- An increase in the projected number of child-family matches,
- An increase in the number of trips and length of travel outside district office jurisdictions to assess families and provide adoptive placement supervision,
- An increase in document processing time.

Incentive Funds. The federal law authorizes the Secretary of Health and Human Services to make incentive payments to states that increase the number of adoptions of children in foster care. The incentive payment amounts to \$4,000 per child, plus an additional \$2,000 for each special needs adoption, although the total amount allocated to the states is capped at \$20 million annually through federal fiscal year 2003. Current state law expresses the intent of the Legislature that incentive payments allocated to California be used for post-adoptions services.

In order to qualify for the incentive payments authorized for adoptions in federal fiscal year 1998, the state must report the number of finalized adoptions for the federal administration by August 1, 1999. The federal statute requires that states report their qualifying adoptions via the federal Adoption and Foster Care Automated Reporting System (AFCARS). In California, the new statewide Child Welfare Services/Case Management System (CWS/CMS) was designed to meet the AFCARS reporting requirements.

The CWS/CMS is operating in all counties, but the department indicates that due to start-up and implementation problems, adoptions data reporting currently are incomplete and may not be accurate.

COMMENTS:

- The department indicates that it expects the state will be able to meet the AFCARS reporting requirements in order to receive federal incentive payments. However, the budget does not include federal adoptions incentives funds that are anticipated in 1999-00. The department indicates that it will address this issue in the May Revision.
- The budget includes the payment of federal penalties in the current year due to failure to meet other federal reporting requirements (in addition to adoptions) through the AFCARS.
- Current statute includes conforming provisions to the Adoptions and Safe Families Act. Since the state law was enacted, the federal government has issued proposed regulations. There has been concern raised regarding the possible discrepancies between the proposed federal regulations and state statute. Failure to conform to federal regulations could result in fiscal sanctions to the state. Specifically, the proposed federal regulations require that the juvenile court make a finding that reasonable efforts were made to make and finalize a child's permanent placement at least once every 12 months from the date a permanent plan of adoption, guardianship or long-term foster care is made. Current state law does not contain this requirement.