California State Assembly

Assembly Budget Agenda

Assembly Budget Subcommittee No. 2
on Human Services

Assemblymember Dr. Corey Jackson, Chair

Wednesday, April 3, 2024
1:30 P.M. – State Capitol, Room 444

Items To Be Heard		
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Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Panels

0530 California Health and Human Services Agency
5180 Department of Social Services

Issue 1: CalHHS Child Welfare Council, Child Welfare Disparities, and the Role of CalWORKs in the Child Welfare Prevention Pathway

- Kim Johnson, Director, California Department of Social Services
- Shimica Gaskins, President & CEO, GRACE/End Child Poverty California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 2: Child Welfare/Foster Care System Oversight and Proposal to Create a Foster Care Multiagency Office

- Kim Johnson, Director, California Department of Social Services
- Simone Tureck Lee, Director of Housing and Health, John Burton Advocates for Youth
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

5180 Department of Social Services

Issue 3: Governor's Proposal to Eliminate the Family Urgent Response System (FURS)

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Susanna Kniffen, Senior Director, Child Welfare Policy, Children Now
- Individual with FURS Experience, Name Pending
- Service Employees International Union Representative, Name Pending
- County Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 4: Governor's Proposal to Eliminate the Housing Supplement for Foster Youth in Supervised Independent Living Placements (SILPs)

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Simone Tureck Lee, Director of Housing and Health, John Burton Advocates for Youth
- Wednesday Pope, Folsom Lake Community College Student & Youth Advocate at John Burton Advocates for Youth
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 5: Governor's Proposal to Eliminate the Los Angeles County Child Welfare Services Public Health Nursing Program

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Service Employees International Union Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 6: Governor's Proposal to Delay Funding for Bringing Families Home and Governor's Trailer Bill Language Proposal

- Kim Johnson, Director, California Department of Social Services
- County Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 7: Governor's Permanent Rate Structure Proposal

- Kim Johnson, Director, and Angie Schwartz, Deputy Director, California Department of Social Services
- Christine Stoner-Mertz, Chief Executive Officer, California Alliance of Child and Family Services
- Kristin Power, Vice President, Policy & Advocacy, Alliance for Children's Rights
- Eileen Cubanski, Interim Executive Director, County Welfare Directors Association of California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 8: Promise Neighborhood Program Implementation Oversight

- Kim Johnson, Director, California Department of Social Services
- Edgar Chavez, Executive Director of Hayward Promise Neighborhood
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 9: Governor's Proposal Regarding the California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)

- Angie Schwartz, Deputy Director, California Department of Social Services
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 10: Governor's Budget Change Proposal on Case Review Allocation Adjustment

- Angie Schwartz, Deputy Director, California Department of Social Services
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 11: Governor's Trailer Bill Proposal on Family First Prevention Services Program (FFPSA) and Oversight of Parts I and IV Implementation

- Angie Schwartz, Deputy Director, California Department of Social Services
- Eileen Cubanski, Interim Executive Director, County Welfare Directors Association of California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 12: Department of Child Support Services Overview and Federal Performance Measures Update

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 13: Child Support Pass-Through for Formerly Assisted CalWORKs Cases Implementation Oversight

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 14: Child Support Pass-Through for Currently Assisted CalWORKs Cases Budget Status

- David Kilgore, Director, Department of Child Support Services
- Representative, Truth and Justice in Child Support Coalition
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 15: Governor's Trailer Bill Proposal for Child Support Payment Trust Fund Overpayment

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Items To Be Heard

0530 California Health and Human Services Agency
5180 Department of Social Services

Issue 1: CalHHS Child Welfare Council, Child Welfare Disparities, and the Role of CalWORKs in the Child Welfare Prevention Pathway

Child Welfare Council. The role of the Child Welfare Council (CWC), established in 2006, is to improve the collaboration and processes of multiple agencies and courts and to monitor and report on whether these agencies and courts are responsive to the needs of children in their joint care. The CWC is an advisory body comprised of 45 members that collectively represent: state and county departments and tribal nations; nonprofit service providers; advocates; parents and former foster youth. The vision from both CWC Co-Chairs and the larger Council's membership is maintaining a focus on keeping families together and delivering on the goal of a kin-first and family centered culture of practice.

As the CWC works to build collaboration among communities, social safety net programs such as CalWORKs, and Child Welfare agencies in California, it states that it recognizes that although there is no causal relationship between poverty and child maltreatment, there is a correlation between children living in poverty and an increased experience of child maltreatment. The CWC states that there is also evidence that services intended to boost protective factors are ineffective without concurrent provision of concrete supports to address poverty directly. Providing income support to families reduces the risk of maltreatment and simultaneously increases effectiveness of family strengthening services. As such, the CWC states that the Governor and Legislature have extended the availability of CalWORKs assistance for parents whose children were removed from them through the Child Welfare System to support the reunification process. The CWC states that the California Department of Social Services (CDSS) strives for continual process and program improvement to increase the effectiveness of the CalWORKs Program.

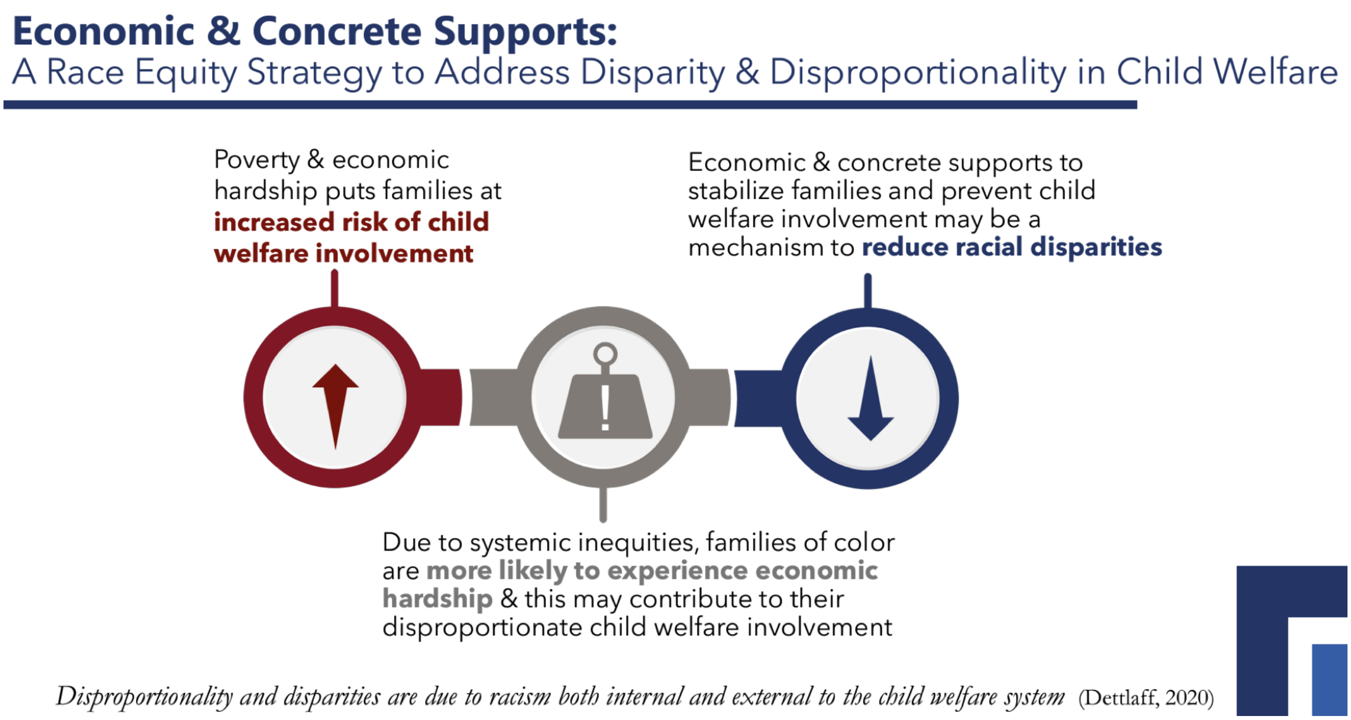
Funding for the Child Welfare Council. The CWC states that it does not have a specific source of dedicated funding and instead relies on the staff support from the California Health and Human Services Agency's (CalHHS) Office of the Secretary. In terms of staffing, the CWC coordination and planning is overseen by a CalHHS Assistant Secretary who leads a small team of interdisciplinary professionals from CalHHS (an analyst and administrative assistant), CDSS (a section chief) and the Judicial Council of California, or JCC (an attorney). This small team is responsible for the planning and coordination of the quarterly CWC meetings, the CWC Steering Committee, and supports CWC sub-committees. All meetings are conducted using a hybrid model (in-person and remote participants) and are held at the Cliff Allenby Building in downtown Sacramento.

Child Welfare and CalWORKs Collaboration. The CWC states that as it works to build collaboration among communities, CalWORKs, and Child Welfare agencies in California, it recognizes that, as stated previously, although there is no causal relationship between poverty and child maltreatment, children living in poverty experience more child maltreatment than children not living in poverty. This drives recognition of the power of CalWORKs Child Welfare collaboration to effectively reduce risk of maltreatment and increase family and community strength.

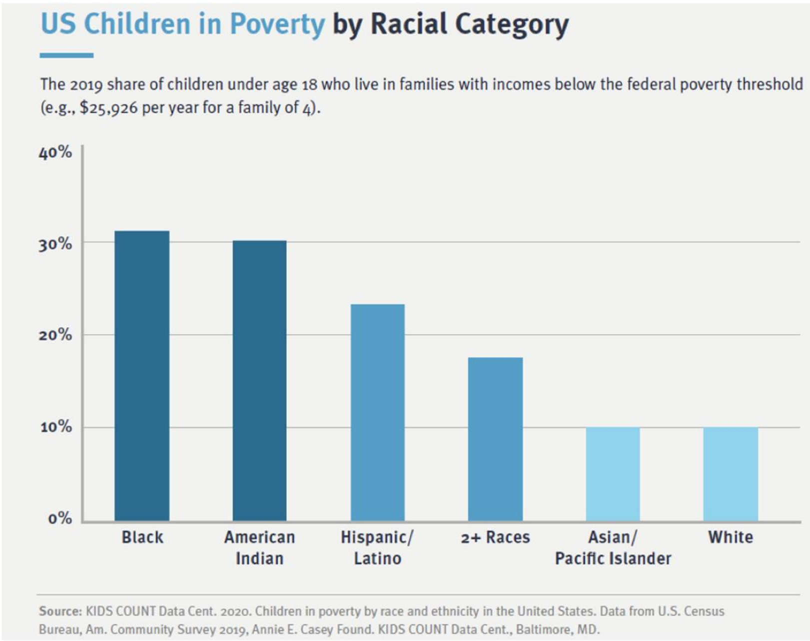
Linkages is the term used by participating California counties to describe the working partnership between CalWORKs and Child Welfare. Linkages case coordination practice has the goal of assisting families to achieve financial self-sufficiency and economic mobility while promoting child safety, permanency and well- being. Current Linkages practice is primarily focused on tertiary prevention for families already involved with Child Welfare. With the newly reinvigorated Linkages 2.0, the goal is to spread this prevention effort to more counties within California and identify ways to provide primary and secondary prevention services through the partnership.

Chapin Hall Study. Chapin Hall at the University of Chicago issued a report in March 2023 titled *Child and Family Well-being System: Economic & Concrete Supports as a Core Component*, available here.

Below are several key slides from the study, illustrating the nexus between economic and concrete supports and child welfare involvement for children.

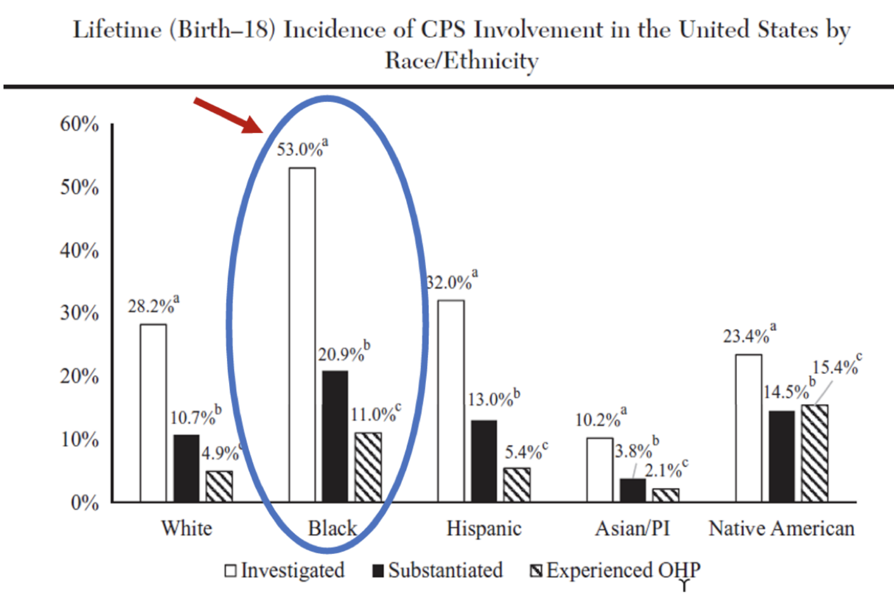


Children in Families of Color Are More Likely to Experience Poverty



(Kids Count, 2020)
(US Census Bureau, 2020)
(Center on the Developing Child at Harvard University, 2021 - graphic)

CPS Interventions Are Pervasive: Over Half of All Black Children Experience an Investigation



- **37% of all children** and 41% of children in the 20 most populous U.S. counties experience at least one CPS investigation by age 18
- **3 million children** experience a CPS investigation or alternative response each year *(FFY 2021)*
- From 2006-2019, there were almost **30 million** CPS-investigated reports in the US
- An estimated **1 in every 100 children** experience a termination of parental rights

(Berger, 2020 - graphic)
(Kim, 2017) (Edwards, 2021)
(Child Maltreatment 2021)
(Wildeman, 2020) (Austin, 2023)

Overview of Economic & Concrete Supports

Some examples include:

- Cash assistance
- Emergency funds
- Direct cash transfers
- Earned Income Tax Credit
- Child Tax Credit
- TANF benefits
- Employment
- Income
- Flexible funds
- In-kind benefits
- Child care
- Housing supports
- SNAP
- WIC
- Medicaid
- Unemployment benefits
- Legal support
- Rental assistance
- Utility assistance
- Furniture & equipment
- Transportation
- Food
- Clothing

Decreased Access to Economic & Concrete Supports Is Associated with Increased Child Welfare Involvement

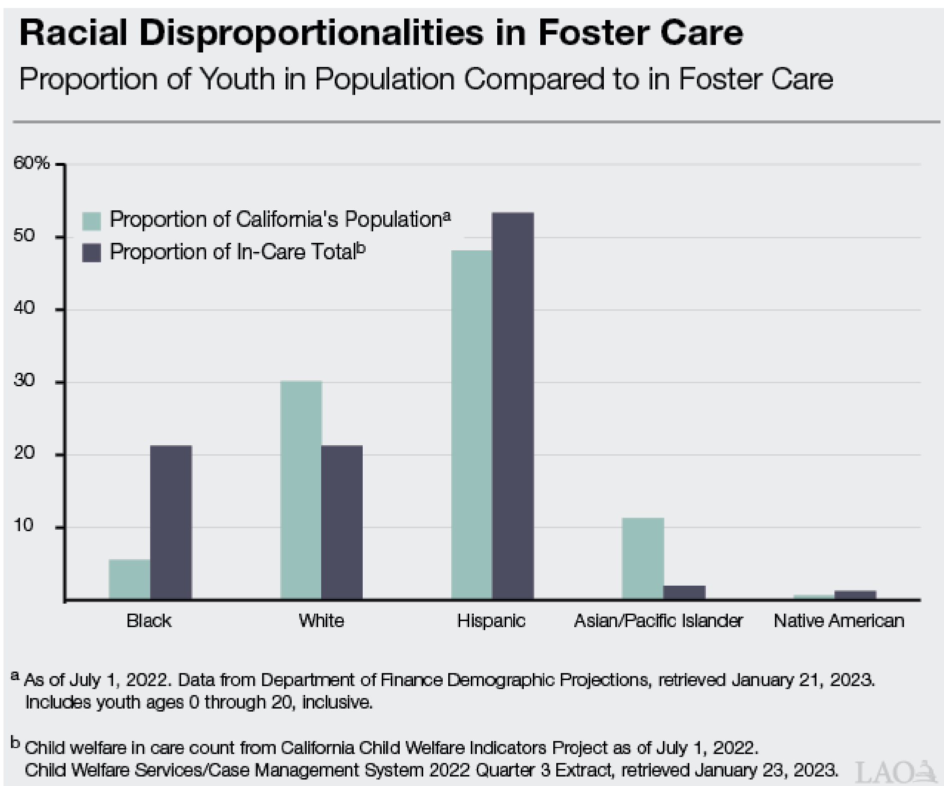
- Reduced TANF benefits
- Reduced income & negative earnings shocks
- Lack of child care
- Reduced employment
- Lack of stable housing
- Increased gas prices

= ↑ **Increased risk for child welfare involvement**

(Ginther, 2017) (Ginther, 2022) (Paxson, 2003) (Yang, 2016) (Cash, 2003) (Klevens, 2015) (Brown, 2020) (Berger, 2011) (Warren, 2015) (Cai, 2021) (Weiner, 2020) (McLaughlin, 2017) (Bullinger, 2021) (Berger, 2015) (Frioux, 2014) (Wood, 2012)

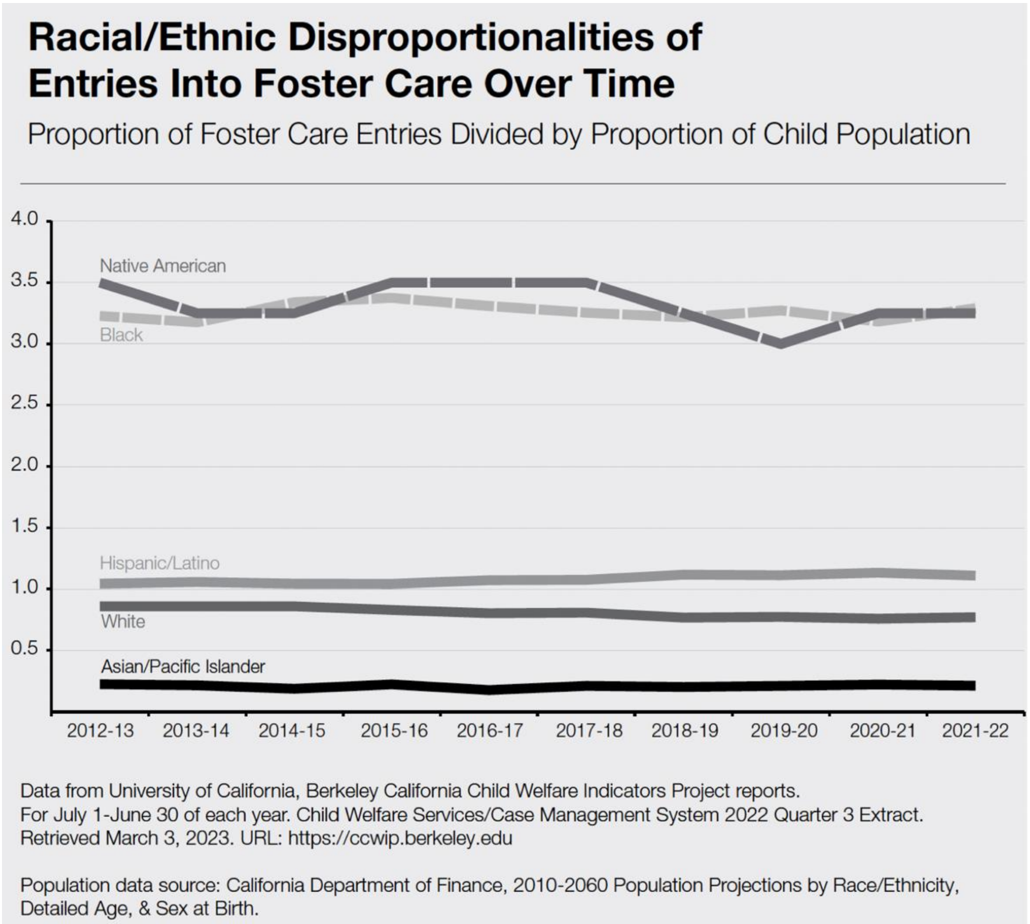
Racial Disparities in Child Welfare. The following information is from the Legislative Analyst's Office (LAO) from March 2023 on racial disproportionalities in child welfare. A comprehensive report is pending from the LAO this spring.

Foster Youth Are Disproportionately Low Income, Black, and Native American. A broad body of research has found that families impacted by child protective services are disproportionately poor and overrepresented by certain racial groups, and are often single-parent households living in low-income communities. In California, Black and Native American youth in particular are overrepresented in the foster care system relative to their respective shares of the state's youth population. As illustrated in the figure below, the proportion of Black and Native American youth in foster care is around four times larger than their proportion of the population in California overall. While the information displayed is point in time, significant disproportionalities have persisted for many years. The figure displays aggregated state-level data; disproportionalities differ across counties.



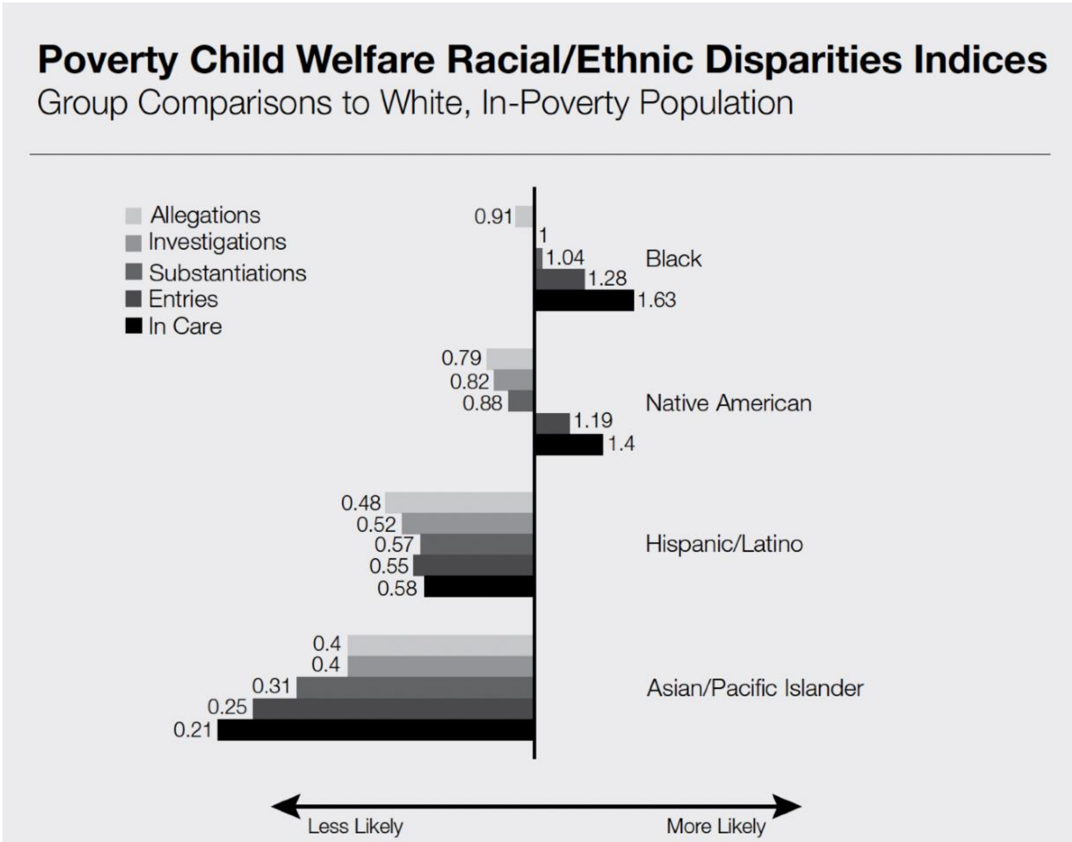
The proportions of Black and Native American youth in foster care are around four times larger than the proportions of Black and Native American youth in California overall. In addition, recent research on cumulative child welfare involvement of California's 1999 birth cohort found nearly one in two Black and Native American children experienced some level of child welfare involvement by the time they turned 18 (compared to around 29 percent of Hispanic/Latino children, 22 percent of white children, and 13 percent of Asian/Pacific Islander children). The figure below displays aggregated state-level data.

Racial/ethnic disproportionalities and disparities have not changed significantly over the past decade. The trend data over the past decade is included in the subsequent figure.



Economic Hardship and Child Maltreatment. A July 2021 report from Chapin Hall at the University of Chicago states that: "Families below the poverty line are three times more likely to be substantiated for child maltreatment (Drake & Jonson-Reid, 2014). Economic disparities and historical systemic disadvantages have fueled disproportionate child welfare system involvement among families of color; Black, Latino, and American Indian/Alaska Native (AI/AN) families are disproportionately more likely to be poor due to longstanding systemic conditions (Semega et al., 2020). Evidence about the root causes of child maltreatment has been well documented, including poverty-related risk factors such as unemployment, single parenthood, housing instability, earlier child-bearing, and lack of child care (Escaravage, 2014; Marcal, 2017).

The income status of families is a significant predictor of involvement with the child welfare system (McLaughlin, 2017; Pelton, 2015; Conrad-Hiebner & Byram, 2020; Brooks-Gunn et al., 2013), and county-level poverty rates are associated with foster care placement rates among children of all races (Wulczyn et al., 2013). Research also found that California children with public insurance (Medi-Cal) experienced child welfare involvement at more than twice the rate of those with private insurance. The majority of California families involved with the child welfare system are experiencing poverty.



Notes: Poverty disparity indices by ethnicity data from University of California, Berkeley California Child Welfare Indicators Project. Data for January-December 2021. Child Welfare Services/Case Management System Quarter 3 Extract. Retrieved March 3, 2023. URL: https://ccwip.berkeley.edu

Population data source: California Department of Finance, 2010-2060 Population Projections by Race/Ethnicity, Detailed Age, & Sex at Birth with American Community Survey poverty multipliers applied. 2016-2020 poverty estimates used to calculate 2021 poverty population.

More than half (54 percent, estimate for 2022-23) of child welfare-involved families in California meet 1996 Aid to Families with Dependent Children eligibility requirements. This roughly equates to earnings of under $1,000 per month. Nationally, researchers estimate around 85 percent of families involved with the child welfare system have incomes below 200 percent of the federal poverty level, which is around $46,000 for a family of three in 2022. In 2022-23, the Administration estimates the average CalWORKs grant amount to be $960 per month across all family sizes and income levels, which equals $11,520 per year. For more information about CalWORKs grants, please see the March 8, 2023 Assembly Subcommittee No. 1 Agenda.

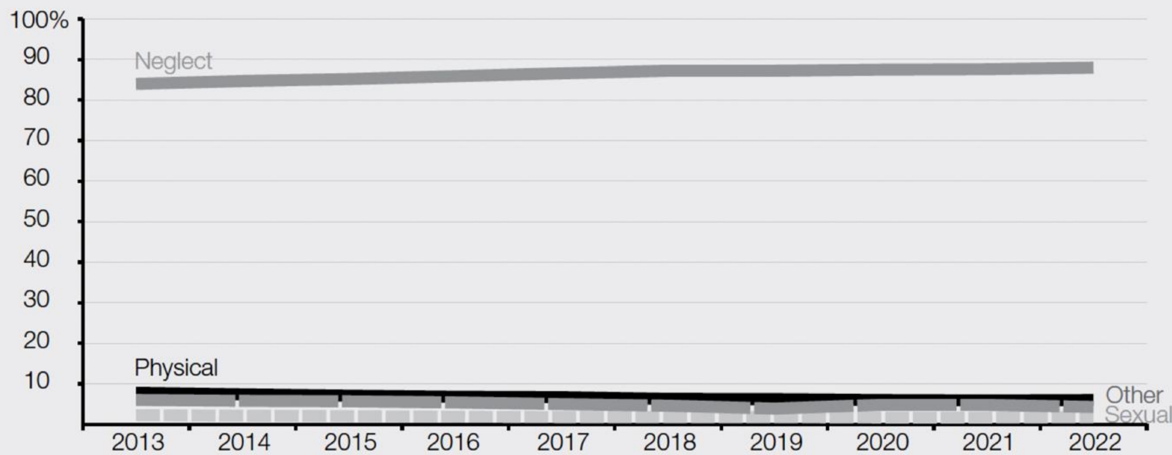
Controlling for poverty, disparities are diminished, although Black and Native American youth are still more likely than all other racial/ethnic groups to enter into and be in care. In addition, when controlling for poverty, Hispanic/Latino children are less likely, relative to white children, to become involved with the child welfare system.

Neglect: Definition and Data. The reason cited for most child welfare system involvement, at all levels, is neglect, rather than physical or sexual abuse. As shown in the figure below, over the past decade, more than 80 percent of youth in foster care at any point in time were placed due to neglect.

However, data about the harm or risk to the child that underlies neglect allegations, investigations, and removals is not easily quantifiable. Understanding what underlies neglect currently requires reviewing narrative reports for individual cases. One recent study examined these narrative reports, and other case file information, for a sample of 295 neglect investigations in California in 2017. The study identified common types of neglect and common parental risk factors described in these investigations, including mental health issues, substance abuse, and domestic violence.

Reason for Foster Placement

Proportion of Youth in Foster Care



Note: Other includes voluntary reentry, other, and missing.

Data from University of California, Berkeley California Child Welfare Indicators Project reports. As of July 1 of each year. Child Welfare Services/Case Management System 2022 Quarter 3 Extract. Retrieved March 6, 2023. URL: https://ccwip.berkeley.edu

Panel

Questions for the Panel:

◊ Can the Council discuss the role of Safety Net Programs, namely CalWORKs, and how strengthening CalWORKs for its recipient population of vulnerable children in poverty can improve prevention away from child welfare involvement?

◊ How is the Child Welfare Council's work resourced and how do you influence the improvement of major prevention programs, namely CalWORKs?

◊ What does the social science data tell us about the relationship between poverty, child neglect, and entrance into the child welfare system?

◊ Please describe the racial and ethnic disproportionalities in California's child welfare system and what the trends have been over the last several years? Are we improving or getting worse over time?

◊ What is the rationale for the child welfare/foster care program eliminations? Why were these programs chosen? Please avoid generalizations about closing the overall budget shortfall. What impacts could these reductions have on the disproportionalities that persist in our system?

◊ How do the proposed cuts in child welfare and CalWORKs square with the stated goals in our FFPSA Part I Prevention Plan?

- Kim Johnson, Director, California Department of Social Services
- Shimica Gaskins, President & CEO, GRACE/End Child Poverty California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 2: Child Welfare/Foster Care System Oversight and Proposal to Create a Foster Care Multiagency Office

This issue outlines the Governor's proposed 2024-25 budget for child welfare and foster care programs under the Department of Social Services (DSS). The following information is provided by the Legislative Analyst's Office (LAO).

Proposed General Fund Spending for Child Welfare in 2024-25 Decreases Compared to 2023-24. As shown in the figure below, funding for child welfare is proposed to decrease by $66 million General Fund (net increase of $153 million total funds) from the current year to the budget year. The change in total funding reflects the General Fund decrease, offset by projected increases in county and federal expenditures. The General Fund net decrease is driven primarily by:

- Expiration of one-time funding provided in 2023-24, such as $100 million for Los Angeles County child welfare stabilization and $50 million for flexible county funds to support home-based foster placements.

- Proposed reductions beginning in 2024-25 and ongoing for the Family Urgent Response System (FURS) ($30 million General Fund), housing supplement for Supervised Independent Living Placements (SILPs) ($18.8 million General Fund at full implementation), and Los Angeles County public health nurse pilot program ($8.25 million General Fund).

Local Assistance Funding for Child Welfare at 2024-25 Governor's Budget

Includes Child Welfare Services, Foster Care, AAP, KinGAP, and ARC (In Millions)

	Total	Federal	State	County	Reimbursement
2024-25 proposal	$9,632	$3,326	$888	$5,166	$251
2023-24 revised estimates	9,479	3,234	954	5,034	256
Change From 2023-24 to 2024-25	**$153**	**$93**	**-S66**	**$132**	**-$5**

Note: Includes associated automation costs.

AAP = Adoption Assistance Program; KinGAP = Kinship Guardianship Assistance Payment; and ARC = Approved Relative Caregiver.

The General Fund net decrease is offset by:

- Augmentations for continued implementation of the Child Welfare Services-California Automated Response and Engagement System (CWS-CARES), Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) federal Medicaid waiver project, and Continuum of Care Reform (CCR).

- Increases to projected expenditures for the Adoption Assistance Program (AAP) and Kinship Guardianship Assistance Payment (Kin-GAP) Program.

A more detailed accounting of the changes resulting in the year-over-year General Fund net decrease is laid out in the next set of figures.

Primary Drivers of Overall Child Welfare Net Spending Decrease

(In Millions)

	Changes From 2023-24 (Revised) to 2024-25 Governor's Budget		
Item	**Total Funds**	**General Fund**	**Description**
New Proposals			
FURS elimination	-$31	-$30	Governor's budget proposes to eliminate funding for FURS. While funding would be eliminated, language authorizing the program would remain in statute.
Los Angeles County child welfare services public health nurse program elimination	-8	-8	Governor's budget proposes to eliminate funding for Los Angeles County's public health nurse early intervention pilot program. While funding would be eliminated, language authorizing the program would remain in statute.
Housing supplement for SILPs elimination	-1	-1	Governor's budget proposes to eliminate funding for the SILP housing supplement. While funding would be eliminated, language authorizing the program would remain in statute. The amount in this table reflects automation funding that was included in 2023-24 revised estimates. (At full implementation, which had been estimated to occur in 2025-26, the housing rate supplement would be $18.8 million annually.)
FFPSA Part I extension of expenditure authority	—	—	Governor's budget proposes to extend the expenditure deadline for local child welfare agencies to spend their grant dollars for the state Family First Prevention Services Block Grant for four years, to June 30, 2028. The 2021 budget initially funded the $222.4 million grant program with three years of expenditure authority (through June 30, 2024).
Bringing Families Home delay	—	—	Governor's budget proposes to delay $80 million from 2023-24 to 2025-26, along with budget language extending the expenditure period and local funding match waiver period.
CCR permanent rates structure initial automation funding	12	12	Governor's budget proposes initial funding to begin systems automation across CWS-CARES and SAWS to implement the permanent CCR rates structure. The rates structure proposal currently is under development and many details are yet to be finalized.
Augmentations Based on Current Law and Policy			
CWS-CARES project increase	$45	$23	This amount reflects updated project cost estimates according to Special Project Report 6, which was approved by the California Department of Technology in May 2023. According to this report, CWS-CARES version 1 is expected to implement statewide in October 2026.
BH-CONNECT	17	13	This amount reflects child welfare-specific costs included in the Medi-Cal demonstration project. Implementation funding began in 2023-24. The increase in 2024-25 reflects January 1, 2025 implementation of child welfare social worker workload to participate in CFT meetings for FM cases, activity stipends to promote social and emotional well-being for children involved with the child welfare system, and social worker time to participate in a new home visiting process for child welfare cases with substantiated maltreatment allegations. Other costs are budgeted under DHCS.
Net changes in CCR costs	17	5	The net increase in CCR costs reflects increases in the Home-Based Family Care Rate, CFT, and automation.[a]
Other Net Changes	312	103	This amount reflects the net effect of other changes across programs, including caseload changes, increases in total KinGAP and AAP expenditures, and estimated increases in county and federal expenditures under 2011 realignment.

Expiration of One-Time Augmentations			
Child welfare stabilization funding for Los Angeles County	-$100	-$100	One-time funding of $200 million was provided in 2022-23, followed by an additional $100 million in 2023-24. This reduction in 2024-25 reflects the one-time nature of the funding.
Flexible funds to support home-based foster care placements	-50	-50	One-time funding of $50 million was provided in 2022-33, followed by an additional $50 million in 2023-24, each with three years of expenditure authority. This reduction in 2024-25 reflects the one-time nature of the funding.
CWS-CARES and SAWS interface	-25	-25	One-time funds to develop a systems interface between CWS-CARES and SAWS necessary to meet federal reporting requirements. The decrease in funding in 2024-25 reflects the one-time nature of the funding.
COVID-19 temporary eFMAP	-25	—	During the public health emergency, the federal government has been providing a 6.2 percent increase in the federal match rate (referred to as eFMAP), resulting in increased federal funds to support foster care maintenance payments and other child welfare program elements. The eFMAP phased out over nine months, ending December 31, 2023.
Foster Family Agencies one-time rate increase	-10	-8	One-time increase for Foster Family Agencies rates in 2023-24. The decrease in funding in 2024-25 reflects the one-time nature of the funding.
Totals	$153	-$66	

[a]Initial costs proposed in 2024-25 to begin automation for the CCR permanent rates structure are excluded from the "net changes in CCR costs" line of this table, and instead are described in a separate line under the "new proposals" section.

FURS = Family Urgent Response System; SILPs = Supervised Independent Living Placements; FFPSA = Family First Prevention Services Act; CCR = Continuum of Care Reform; CWS-CARES = Child Welfare System-California Automated Response and Engagement System; SAWS = Statewide Automated Welfare System; BH-CONNECT = Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment; CFT = Child and Family Team; FM = Family Maintenance; DHCS = Department of Health Care Services; Kin-GAP = Kinship Guardianship Assistance Payment; AAP = Adoption Assistance Program; and eFMAP = Enhanced Federal Medical Assistance Percentages.

Governor's Budget Proposes Budget Solutions Across Child Welfare Program Areas. These are discussed further in individual Issues in this agenda. A summary of these cuts is included below.

Eliminate FURS. The Governor's budget proposes to reduce funding for FURS by $30 million General Fund in 2024-25 and ongoing, which would fully eliminate current funding for the program. FURS provides immediate supports to current and former foster youth and their caregivers who are experiencing interpersonal conflict or other situations that risk destabilizing the placement. The program, which initially was funded as part of the 2019-20 budget package, includes a statewide hotline and in-person county mobile response units. The statewide hotline was implemented in March 2021 and counties implemented their mobile response teams in July 2021.

Eliminate SILP Housing Rate Supplement. The budget proposal would reduce funding for the SILP housing supplement by $18.8 million General Fund in 2025-26 and ongoing, which would eliminate current funding for the rate supplement. The supplement is intended to align SILP rates with counties' Fair Market Rents. The rate supplement and necessary automation costs were funded as part of the 2023-24 budget package. The supplement has not yet been implemented; the rates currently are scheduled to be automated in 2023-24 and 2024-25, with full implementation in 2025-26.

Eliminate Los Angeles County Public Health Nurse Pilot. The budget proposal also would reduce funding for Los Angeles County's child welfare public health nursing pilot program by

$8.25 million General Fund in 2024-25 and ongoing, which would fully eliminate current funding for the program. This program is intended to be an early intervention program through which public health nurses partner with the county child welfare agency to provide preventative services to children and families at imminent risk of entering or re-entering the child welfare system, but currently not served by other public health nurse programs (namely, the Child Welfare Public Health Nursing General Program or Health Care Program for Children in Foster Care). Although the pilot initially was funded as part of the 2019-20 state budget package, implementation was delayed due to the COVID-19 public health emergency and the program ultimately was approved by the Los Angeles County Board of Supervisors in spring 2023. The county public health department currently is staffing the program and intends to launch services in April/May 2024, and to pursue Title XIX matching funds for eligible services.

Delay Some Bringing Families Home (BFH) Funding. The Governor's budget proposal delays $80 million General Fund for the BFH program to 2025-26. The program received two one-time augmentations of $92.5 million General Fund in 2021-22 and 2022-23, each with three years of expenditure authority. (The program does not have ongoing funding.) BFH was established in 2016 to: reduce the number of families in the child welfare system experiencing, or at risk of experiencing, homelessness; to increase family reunification; and to prevent foster care placement. Initial program funding was $10 million General Fund appropriated in 2016-17, available over three years. In 2019-20, an additional $2 million General Fund was appropriated, also available over three years. These initial two appropriations required a dollar-for-dollar match from local recipients, while the two $92.5 million augmentations appropriated in 2021-22 and 2022-23 waive the match requirement. Proposed budget language also would extend expenditure authority and the match waiver period.

Revert One-Time Funds for Los Angeles County Child Welfare Stabilization. The Governor's budget proposal reverts to the General Fund $100 million provided by the 2023-24 budget to Los Angeles County for child welfare program stabilization, however the county already has provided an invoice for the full funding amount, meaning the proposed reversion will not be feasible. The Administration's budget documents will reflect this update at May Revision.

Governor's Budget Also Proposes to Reduce Funding for Foster Youth Housing Program. In addition to the reductions described above, the Governor's budget proposes to reduce funding for the Housing Navigation and Maintenance Program (HNMP) by $13.7 million General Fund in 2024-25 and ongoing, which would eliminate funding for the program. The program received an ongoing funding augmentation as part of the 2022-23 budget package. This program is implemented by the Department of Housing and Community Development—not DSS—and therefore is not reflected in the summary figures above. The program provides grant funding to local child welfare agencies to serve current and former foster youth with securing and maintaining housing. Notably, counties have indicated they also use HNMP grants to fund federally required case management services for youth who receive various federal housing vouchers.

CDSS' Ongoing Prevention Efforts. The Administration has provided the following information regarding its prevention efforts in child welfare.

- The Family First Prevention Services Act (FFPSA) created a prevention services program that allows states to access federal funding (Title IV-E) for the provision of specified evidence-based mental health, substance use, and in-home parent skill-based services.

- These services will be provided to children at imminent risk of entry into foster care, their parents or kin caregivers, and pregnant or parenting youth in foster care. This includes kin caregivers of children who are not in foster care and who qualify for prevention services.

- California enacted the Family First Prevention Services (FFPS) Act in 2021, investing $224 million in one-time dollars to support counties in implementation of Comprehensive Prevention Plans (CPPs) and the offering of initial prevention services while working to fully implement the federal option under FFPSA.

Complex Care Funding:

Child-Specific Funding - $18.1 million ongoing

- In fiscal year 2021-22, 214 Child Specific Requests were approved for over $8.3 million.

- In fiscal year 2022-23, 334 Child Specific Requests have been approved thus far for over $14.1 million.

- In fiscal year 2023-24, 135 Child Specific Requests have been approved thus far for over $5.3 million.

Capacity Building Dollars

- $43.2 million has been allocated one-time to counties and Title IV-E Agreement Tribes. Funding is available until June 30, 2026, and proposals can be submitted on an annual or one-time basis.

ICWA/Tribal Engagement:

- $8.2 million ($5.2 million GF) has been provided to administer the Tribally Approved Homes Compensation Program, which provides financial assistance with recruiting and approving foster or adoptive homes for Indian children (FY 22-23 and ongoing).

- $5.1 million GF has been provided to implement the Tribal Dependency Representation Program, which supports Tribes to fund legal counsel to represent the Tribe in ICWA cases. (FY 22-23 and ongoing).

- $100,000 GF has been provided to support federally recognized Tribes in providing technical assistance to county system of care interagency leadership teams (ILT) to develop tribal consultation protocols (FY 22-23).

Continuum of Care Reform and Kin-First Culture:

- $309 million ($150 million GF) for Excellence in Family Finding and Engagement Program, including the Center for Excellence in Family Finding, Engagement, and Support, and block grant to support county family finding and engagement activities, including $7.5 million set aside for Tribes, tribal organizations or consortia. (FY 22-23).

- $50 million GF for Flexible Family Supports for Home-Based Foster Care, including $2.5 million set aside for Tribes, tribal organizations or consortia; allowable uses include direct financial support to facilitate placement in a family home (FY 22-23).

The Foster Care Rate Reform Proposal:

- Statute requires the CDSS to establish an “ongoing payment structure no later than January 1, 2025” (Pursuant to W&IC 11463(c)). The Governor’s Budget includes $12 million General Fund (GF) in 2024-25 to make automation changes for a reformed foster care payment structure with full implementation anticipated as early as 2026-27. The Administration proposes to restructure rates so that they are based on the child’s assessed level of needs and strengths, not placement type. This proposal is discussed further under Issue 7.

Foster Care Multiagency Office. This legislative proposal is for a Foster Care Multiagency Office to be established within the California Health and Human Services Agency. Its mission will be to ensure appropriate placement and stability and that all children in foster care have access to comprehensive health care, address systemic barriers to the traditional provision of interagency services, and create and enforce a service plan that defines how agencies shall work together. This office will also have collaborative authority over interrelated child welfare, juvenile justice, education, and developmental and mental health services for children.

The office will have an executive officer known as the Chief Foster Youth Advocate, who has the authority to require the relevant state agency or agencies to take action to ensure children receive the services they are entitled to by law promptly. The Chief Foster Youth Advocate will also possess the authority to require relevant county agencies to take action to ensure stable and safe placements for foster youth and ensure they receive the services they are entitled to by law promptly.

By December 1, 2025, the office shall form a standing committee to assist in carrying out the mission of the office, with representatives from the California Child Welfare Council, the Department of Youth and Community Restoration, the State Department of Health Care Services, the California Department of Education, a regional center serving children and youth with developmental disabilities, and foster youth or child welfare advocates in an advisory capacity.

Starting by December 1, 2026, the committee will develop and provide the Legislature and the Governor an annual report with legislative and budgetary recommendations to achieve the office's objectives, including recommendations for additional specified authority from the Legislature, as needed.

Panel

Questions for the Panel:

◊ What are the trends in the Continuum of Care? How many children are in foster care, what types of placements are they in, and what are the biggest strengths and weaknesses of our system today?

◊ When will the Administration resume the quarterly meetings that are statutorily required with legislative staff and why have these not occurred? Why hasn’t comprehensive information about child welfare and foster care been provided timely and with quarterly frequency to the Legislature to enable appropriate oversight?

◊ What do youth themselves say are the biggest priorities for our child welfare system? What venues exist for them to weigh in directly and often with the Administration?

◊ How can the proposed Foster Care Multiagency Office benefit children and families involved in our system and improve outcomes?

◊ How can the proposed Foster Care Multiagency Office be created within existing resources?

- Kim Johnson, Director, California Department of Social Services
- Simone Tureck Lee, Director of Housing and Health, John Burton Advocates for Youth
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Staff Recommendation: Hold open.

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Issue 3: Governor's Proposal to Eliminate the Family Urgent Response System (FURS)

The Governor's budget proposes to reduce funding for the Family Urgent Response System (FURS) by $30 million General Fund in 2024-25 and ongoing, which would fully eliminate current funding for the program. FURS provides immediate supports to current and former foster youth and their caregivers who are experiencing interpersonal conflict or other situations that risk destabilizing the placement. The program, which initially was funded as part of the 2019-20 budget package, includes a statewide hotline and in-person county mobile response units. The statewide hotline was implemented in March 2021 and counties implemented their mobile response teams in July 2021.

The following program snapshot information is from the Legislative Analyst's Office (LAO).

Family Urgent Response System (FURS)

- Types of services provided: Statewide hotline and in-person local response units offer immediate supports to current and former foster youth and their caregivers who are experiencing interpersonal conflict or other behavioral challenges.
- Status: Implementation began in 2019-20.
- General Fund allocations: Around $30 million annually.
- Expenditures: Around $13 million expended and encumbered in 2022-23.
- Total families served in 2022-23: Around 5,000 contacts. Stakeholders estimate 87 percent of FURS contacts result in successful placement stabilization and ongoing supports for the youth and/or caregiver.

Program Background: The FURS is a coordinated statewide system that provides phone-based responses and in-home, in-person mobile responses during situations of instability, for the purposes of preserving the relationship and placement of the caregiver and youth. The hotline is staffed with operators trained in conflict resolution and de-escalation techniques in order to stabilize the living situation, mitigate the distress of the caregiver or youth, and to connect the caregiver and youth to the array of local services suited to their needs.

FURS was established through SB 80 (Committee on Budget), Chapter 27, Statutes of 2019. The CDSS was required to select a contractor to operate the hotline to respond to calls, and after the RFP went out, the Sacramento Children's Home was awarded the FURS Statewide Hotline contract. The hotline was implemented on March 1, 2021, and counties implemented their mobile response teams in July 2021. The FURS hotline provides immediate support to current and former foster youth throughout California via phone calls, text, live chat and email 24-hours a day, seven days a week (including holidays).

FURS receives around 5,000 requests for help annually from current and former foster youth and their caregivers. As of October 1, 2023, there are 45,044 youth in foster care.

Outcomes Data. CDSS is required to publish annual reports on its website by January 1 and to ensure that de-identified, aggregated data are collected regarding individuals served through the statewide hotline and county-based mobile response systems. To date, CDSS has published one report that includes data from the inception of the program on March 1, 2021, to June 30, 2022. As a result, there. Is not access to recent outcomes data, however, CDSS has identified four areas where the forthcoming longitudinal analysis will be focused:

1) Placement Stability
2) Return to Foster Care
3) Movement from Child Welfare to Juvenile Justice
4) Timeliness to Permanency

CDSS has provided some data on the types of calls they have received up until June 30, 2022:

Caregivers Separated by Placement Type: Out of the total of 1,429 calls received by caregivers, the largest group of callers by far were caregivers who identified themselves as foster caregivers (57%) with the next largest group being adoptive parents (16%). Relative/Non-Related Extended Family Members (NREFM) represented just under 7% and biological parents represented just over 7% of the total calls each.

Disposition of Each Call: Approximately 23% of all calls are referred to counties for a mobile response. 39% of calls are stabilized at the hotline without requiring any additional referrals to other services including mobile response. Another 13% of callers are provided referrals to other services while 25% of callers either disconnect or decline services.

Placement Data. According to data collected for the California Child Welfare Indicators Project, foster youth experience frequent placement changes. For children who are in foster care for 24 months or longer, 15% experienced 5 or more placements and 44% experienced 3 or more placements. FURS was created to address this and to support placement stabilization.

Alternatives to FURS. While there are other crisis hotlines available statewide and locally in different counties, FURS specializes in the unique needs of foster youth and their caregivers and is staffed by operators who provide trauma-informed care and in-person visits if warranted as an alternative to involving law enforcement when there is instability. Hotlines that focus solely on mental health needs, such as 988 or Crisis Stabilization Units are not designed to address the unique needs of foster youth and their caregivers. No other program apart from FURS provides this kind of immediate, individualized, and in-person, trauma-informed service and support to foster youth and their caregivers. As noted, foster caregivers are the largest group of callers into the FURS hotline, which demonstrates the need for the unique support for these families.

Impacts of Eliminating FURS. Advocates state that FURS is a critical resource to promote stability for older youth currently or formerly in foster care who are living on their own, helping ensure a successful transition to adulthood. For caregivers including relative caregivers, FURS offers a concrete, in-home support that bolsters recruitment and retention of caregivers. Through this support, FURS prevents unnecessary criminalization of young people in foster care, who are disproportionately children of color; reduces costs associated with disrupted placements and emergency or higher levels of care; and improves overall outcomes for young people who have been in foster care. If FURS is eliminated, thousands of foster youth and their caregivers will have limited options to stabilize during a crisis which could lead to more placement changes.

Panel

Requests and Questions for the Panel:

◊ What is the history of FURS and why was it created?

◊ Please explain the reduction proposal, including the (a) number of people who will be impacted given utilization trends, (b) expenditure trends for the General Fund appropriations provided previously, and (c) what the likely outcomes are for system-involved families and youth if the reduction takes effect (i.e. real human impacts and increased costs elsewhere in the system).

◊ Would the elimination of FURS undermine the goals of family placement, permanency, and equity that CDSS espouses in its goals for child welfare, including as expressed in its explanation for the Permanent Rates proposal, discussed under Issue 7?

◊ Could there be a potential source of funds for FURS in the Behavioral Health area or temporarily as part of BH-CONNECT that could allow for the short-term or long-term scoring of the GB proposed GF savings? What have conversations within the Administration on this subject yielded?

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Susanna Kniffen, Senior Director, Child Welfare Policy, Children Now
- Individual with FURS Experience, Name Pending
- Service Employees International Union Representative, Name Pending
- County Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst’s Office

LAO Comments

The LAO has provided the following comments and questions on this Governor’s cut proposal.

Funding Amount: Based on available data, counties have not been fully expending their FURS allocations. Specifically, in 2022-23 (the most recent fiscal year for which full-year data is available), General Fund expenditures for FURS were $13.4 million, representing less than half of the total budgeted for the program. In 2023-24, expenditures are trending higher but still not on track for the program to spend its full funding allocation. Could program funding be reduced without impacting intended beneficiaries while also maintaining the local FURS infrastructure?

Implementation Challenges: Why have actual expenditures been under budget? Are there obstacles preventing the program from being more fully utilized?

Funding Source: Given recent state focus on expanding programs and infrastructure for children and youth behavioral health, as well as state participation in various federal Medicaid demonstration projects, could other sources of funding support FURS?

Alternative Programs: Are there other programs that could prioritize and tailor services to this population in the absence of FURS funding?

Staff Comments

Staff Recommendation: Hold open.

Issue 4: Governor's Proposal to Eliminate the Housing Supplement for Foster Youth in Supervised Independent Living Placements (SILPs)

The Governor budget proposes to reduce funding for the Supervised Independent Living Placement (SILP) Housing Supplement by $18.8 million General Fund in 2025-26 and ongoing, which would eliminate current funding for the rate supplement. The supplement is intended to align SILP rates with counties' Fair Market Rents. The rate supplement and necessary automation costs were funded as part of the 2023-24 budget package. The supplement has not yet been implemented; the rates currently are scheduled to be automated in 2023-24 and 2024-25, with full implementation in 2025-26.

The following program snapshot information is from the Legislative Analyst's Office (LAO).

Supervised Independent Living Placement (SILP) Housing Supplement

- Types of services provided: The supplement is intended to provide additional housing funds, in line with federal Fair Market Rents, for foster youth placed in SILPs.
- Status: Not yet implemented (anticipated that eligible youth in SILPs will begin receiving supplemental housing funding in 2025-26).
- General Fund allocations: $18.8 million annually at full implementation.
- Expenditures: None to date.
- Total youth in SILPs: Around 3,000 youth placed in SILPs as of October 2023.

Program Background. The policy to increase monthly Supervised Independent Living Program (SILP) rates based on Fair Market Rate (FMR) levels was authorized through budget trailer bill AB 102 (Ting, Chapter 38, Statutes of 2023) and the Budget Act of 2023.

As a result of the passage of AB 12 (Beall), Chapter 559, Statutes of 2009, foster youth who turn 18 years old, also known as nonminor dependents, or NMDs, are eligible to remain in foster care until they turn 21 years old. SILPs were created as a type of placement as part of extended foster care and are designed for youth between the ages of 18-21. Unlike other foster care placements, youth in SILPs are responsible for identifying and securing their own housing, which can include apartments rented alone or with roommates. As of July 1, 2022, the SILP was the single-most utilized placement in California, with a total of 3,361, or 41% NMDs.

Regardless of which county a youth resides in, each NMD who is living in a SILP receives a monthly rate of $1,129, which is intended to cover living costs such as rent, food, and supplies. However, since the program's establishment, the cost of housing has increased by up to 113% in high-cost counties, while the basic rate has only increased by 41% over that same period. Compounding these factors, the annual inflation rate for the United States is 6.0% for the 12 months ending February 2023, after rising 6.4% previously, according to United States Labor Department data published March 14, 2023.

For many youth, this monthly payment is inadequate to cover all of their expenses and has left them unable to compete with other low-income Californians looking to secure housing and has impeded their ability to cover costs outside of rent. Rather than increasing the overall SILP payment, statute directs CDSS to calculate a supplemental payment that includes the difference between one-half of the fair market rent for a two-bedroom apartment in the county in which the NMD resides, and 30% of the established rate. Each year HUD calculates the fair market rate for all 58 counties in California. The advantage to a market-based adjustment is that it follows economic trends. A one-time increase for the SILP payment would require additional adjustments over time.

Foster youth are disproportionally low-income when compared to their non-foster youth peers. The vast majority of children who are placed in California's foster care system have been removed from low-income households, roughly half of them living below the federal poverty level. The average annual income of foster youth age 18 to 21 was $9,740, placing them well below the federal poverty line. According to a CalYOUTH Study's 2015 data, 40% of youth residing in SILPs reported their monthly budget was insufficient to cover rent and expenses such as utilities, transportation, and food. Without adequate funding, the end result for many youth is a cycle of homelessness and falling deeper into poverty. Supplementing the payments youth receive from the state is a meaningful way to reduce inequities experienced by low-income communities, LGBTQ youth, and communities of color, in which foster youth are overrepresented.

Alternatives In Permanent Rate Reform Proposal? Advocates state that SILPs and this supplemental payment will not be included in the forthcoming rate reform.

Impacts of Eliminating the SILP Supplemental Payment. At a pivotal time in a young adult's life, providing adequate assistance allows foster youth to attend college, a trade school, find a career path, or even get any necessary mental health care. Allowing these youth to begin their adult life on a more level playing field could provide more equity between peers. Advocates state the SILP supplemental payment prevents homelessness and poverty and that youth in SILPs are living below the federal poverty level based on the monthly payment provided to them, with no financial or housing support from family.

Research shows 1 in 5 youth in extended foster care experience homelessness. California's 25 most expensive counties are home to 81% of the state's NMDs. Since 2012 when extended foster care was implemented, the cost of housing has increased 95% in these counties, while the SILP rate has increased 51%. The SILP Housing Supplement promotes housing equity by equipping youth with funding based on local rental costs versus a statewide rate. It supports important community connections and safety; having adequate money for rent provides youth with the ability to live close to school, work, and any self-identified support systems. It provides choice and empowers youth to live where they feel safe and secure. It draws down federal funding; the SILP Housing Supplement will draw down approximately $6.7 million in federal foster care funding annually.

Panel

Requests and Questions for the Panel:

◊ Why was this investment made and what are the consequences of not following through on the commitment that was made in the 2022 Budget?

◊ Please respond in writing to the following question – could a supplement that bridges between what a foster care rate provides for housing and the fair market rent in counties, like what was funded in this investment, be a part of the pending Administration's proposal for a new foster care payment structure?

◊ In real dollars, how close could a rate (e.g. the Tier 1 payment) in the proposed structure come to paying for fair market rent for older foster youth who are transitioning into adulthood?

◊ What rates and numbers of homelessness for older foster youth is the Admin tracking? Are these rates and numbers improving or getting worse?

◊ What are the current emergency shelter numbers for children and what are the historical trends in emergency shelter needs for children?

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Simone Tureck Lee, Director of Housing and Health, John Burton Advocates for Youth
- Wednesday Pope, Folsom Lake Community College Student & Youth Advocate at John Burton Advocates for Youth
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following comments and questions on this Governor's cut proposal.

Interaction With New CCR Rates Structure: Does DSS intend to incorporate regional variation in SILP housing costs as part of the forthcoming permanent CCR rates structure? If so, then this budget solution potentially could proceed without an adverse effect on youth placed in SILPs because the issue would be addressed as part of the forthcoming overall rate reform. However, waiting to address the issue as part of the broader CCR rate reform likely would mean that implementation of new SILP rates would occur later than currently scheduled. (At the same time, given that the SILP housing supplement has not yet been implemented, youth would not be made worse off than they are currently.)

Staff Comments

Staff Recommendation: Hold open.

Issue 5: Governor's Proposal to Eliminate the Los Angeles County Child Welfare Services Public Health Nursing Program

The Governor's budget proposal would reduce funding for Los Angeles County's child welfare public health nursing pilot program by $8.25 million General Fund in 2024-25 and ongoing, which would fully eliminate current funding for the program. This program is intended to be an early intervention program through which public health nurses partner with the county child welfare agency to provide preventative services to children and families at imminent risk of entering or re-entering the child welfare system, but currently not served by other public health nurse programs (namely, the Child Welfare Public Health Nursing General Program or Health Care Program for Children in Foster Care). Although the pilot initially was funded as part of the 2019-20 state budget package, implementation was delayed due to the COVID-19 public health emergency and the program ultimately was approved by the Los Angeles County Board of Supervisors in spring 2023. The county public health department currently is staffing the program and intends to launch services in April/May 2024, and to pursue Title XIX matching funds for eligible services.

The following program snapshot information is from the Legislative Analyst's Office (LAO).

Los Angeles County Public Health Nurse Early Intervention Pilot

- Types of services provided: The pilot is intended to be an early intervention program providing preventative services to children and families at imminent risk of entering or re-entering the child welfare system, but currently not served by other public health nurse programs.
- Status: Delayed due to COVID-19. Not yet implemented (anticipated for April/May 2024).
- General Fund allocations: $8.25 million allocated annually since 2019-20, but funds were not disbursed to Los Angeles County until 2022-23 due to pandemic delays.
- Expenditures: Around $200,000 as of November 2023.
- Total families served: None to date.

Implementation Thus Far. The following information was provided by DSS. In the first year of the allocation, statute required that the Public Health Department in Los Angeles work with DHCS to develop a plan for implementation and claiming the federal dollars that were required to be secured through the statute. Los Angeles started developing the plan, but it was not complete when the COVID-19 pandemic began. Changes in the legislation for FY 21-22 allowed Los Angeles to claim the state dollars without securing the federal match.

At that point, Los Angeles was delayed with their plan due to the impact of COVID and did not finish the plan with DHCS until the end of calendar year 2022. Upon notification of the completed plan, CDSS began developing the claiming process to pass funding directly to Los Angeles. Given that CDSS has never passed money directly to a public health entity, a new process had to be developed.

On January 13, 2023, the Director of the Los Angeles County Department of Public Health received the allocation letter from CDSS detailing how funds could be spent and the process for reimbursement, including an invoice template.

On October 27, 2023, CDSS received the first invoice from Los Angeles for the service period of July through September 2023. To date, CDSS has received four invoices for services rendered through December 2023.The fourth invoice was submitted on February 1, 2024.

Panel

Requests and Questions for the Panel:

◊ What is the history of this investment and why was it created?

◊ Please explain the impediments in implementation and what would happen if the cut is rejected.

◊ What impact would this cut have on LA County services in child welfare and on children, youth, and families served?

- Jennifer Troia, Chief Deputy Director, California Department of Social Services
- Service Employees International Union Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following comments and questions on this Governor's cut proposal.

Potential for Additional Savings: Given the program's delayed implementation, if the Legislature chooses to move forward with this budget solution, are there additional General Fund savings that could help address the budget problem in the current year?

Funding Source: Given the state's implementation of the Family First Prevention Services program and increased focus on child welfare system prevention and early intervention—including the $222 million General Fund block grants to counties to develop comprehensive prevention plans—could the public health nurse pilot be funded as part of the county's broader prevention efforts? Alternatively, are there other local funding streams that could replace state General Fund dollars for this program?

Alternative Programs: Are there other programs that could prioritize and tailor services to this population in the absence of funding for the public health nurse early intervention pilot?

Staff Comments

Staff Recommendation: Hold open.

Issue 6: Governor's Proposal to Delay Funding for Bringing Families Home and Governor's Trailer Bill Language Proposal

The Governor's budget proposes a delay of $80 million General Fund for the BFH program to 2025-26. The program received two one-time augmentations of $92.5 million General Fund in 2021-22 and 2022-23, each with three years of expenditure authority. (The program does not have ongoing funding.) BFH was established in 2016 to: reduce the number of families in the child welfare system experiencing, or at risk of experiencing, homelessness; to increase family reunification; and to prevent foster care placement. Initial program funding was $10 million General Fund appropriated in 2016-17, available over three years. In 2019-20, an additional $2 million General Fund was appropriated, also available over three years. These initial two appropriations required a dollar-for-dollar match from local recipients, while the two $92.5 million augmentations appropriated in 2021-22 and 2022-23 waive the match requirement. Proposed budget language also would extend expenditure authority and the match waiver period.

The following program snapshot information is from the Legislative Analyst's Office (LAO).

Bringing Families Home (BFH)

- Types of services provided: Housing and supportive services for families who are involved with the child welfare system and experiencing or at risk of homelessness. These services may include, for example, rental and utility payment assistance, security deposit assistance, housing navigation, case management, legal costs, and credit repair.
- Status: Implementation began in 2016.
- General Fund allocations: $10 million in 2016, $25 million in 2019, $92.5 million in 2021-22, and $92.5 million in 2022-23. Total funding allocated to counties and tribes is approximately $200 million, with remaining funds (around $20 million) retained by state for reporting, evaluation, and administration.
- Expenditures: Counties and tribes have spent around $57 million of their total $200 million allocations, as of June 30, 2023.
- Counties/tribes: 53 counties and 25 tribal entities have been allocated funding.
- Total families served in 2022-23: Around 2,000 families approved as eligible for BFH services in 2022-23.

Program Background. The Bringing Families Home (BFH) program provides housing supports and services to families receiving child welfare services who are experiencing or at risk of homelessness. The goal of BFH is to increase family reunification and prevent foster care placement among participants in cases where housing instability prevents reunification or could lead to foster care placement. Grantees report that the supports and services provided by BFH is helping families reunify faster and with greater success, which in turn enables them to better achieve their child welfare case plan goals and shorten timelines to visitation.

BFH offers financial assistance and housing-related wraparound supportive services, including but not limited to rental assistance, housing navigation, case management, security deposits, utility payments, moving costs, interim shelter assistance, legal services, and credit repair. Linking families to secure and stable housing has far reaching benefits beyond child welfare.

Research shows that stable housing leads to reduced stress, increased school stability, and improved overall well-being.

A recent study published by Chapin Hall at the University of Chicago examined the outcomes of families served by the Bringing Home Families program in San Francisco County, from 2017 to 2023 using administrative data, child welfare data, parent interviews and a follow up survey six months after exiting the program.

The BFH families in this study were predominantly single parent households experiencing homelessness, with a majority of the households including young children (age five or under). Most caregivers identified as Black or Latino. Most of these families found stable housing, usually within four months of enrolling in the program. Family and caregiver wellbeing improved while families were engaged in the program, especially in the domains of residential stability, family functioning, and substance use problems that require treatment.

The San Francisco BFH evaluation further found that the large majority of participants that exited the program within the study's observation period (163 out of 170) were able to obtain housing; additionally, 81% of those participants who obtained housing were still stably housed 6 months after program exit.

Of families who exited the BFH program, the re-entry to out-of-home care rate among children who are reunified with family was very low. Only six percent of the children who were reunified reentered out-of-home care within one year of reunification and only nine percent had reentered out-of-home care at the final observation date of the study.

Implementation Thus Far. The following information was provided by CDSS.

All BFH program funds that were made available for local assistance have been allocated to our grantees. Of the $92.5 million allocation provided in each the 2021 and 2022 Budget Acts, $87.875 million has been provided from each allocation to 53 counties and 25 tribal organizations. CDSS is currently gathering updated expenditure information. To the extent there are any erosions to the proposed solution based on updated information, it is anticipated adjustments will be made in the May Revision.

While some grantees have utilized funds to contract with local social service providers to deliver services, CDSS does not have data on the specific portion of funds that are encumbered in contracts locally.

CDSS will work with counties, the County Welfare Directors Association, and others to identify how to best implement proposed updates to the budget while meeting the needs of grantees, service providers, and clients. These discussions will also help to better understand where impacts may be felt most acutely and allow us to determine how we might be able to mitigate some of those negative impacts.

CDSS utilizes a portion of the funding to administer the program and contract support for program implementation. Specifically, 4% of the FY 21-22 one-time BFH funding was transferred into state operations to utilize for state staffing to implement program updates, deliver funding, as well as conduct program oversight, monitoring, data collection and analysis, policy-focused technical assistance and more. An additional 1% of the FY 21-22 and 5% of the FY 22-23 one-time BFH funding is available for administration of state programming including but not limited to contracted support for technical assistance, program evaluations, and data collection. Any funding that is not necessary to support state administration will be made available for additional service delivery through local assistance.

Status of Expected Evaluation. The Children's Data Network (CDN) at USC and California Policy Lab (CPL) at UC Berkeley conducted a statewide evaluation of the BFH program assessing the inaugural two years of BFH from 2017- June 2019, in which 12 counties piloted BFH. The evaluation examined the housing and homelessness outcomes of BFH program participants, and the child welfare outcomes of BFH program participants as compared to non-BFH child welfare recipients with similar demographic characteristics. CDN and CPL are finalizing the evaluation report, which should be released in the coming weeks.

Key Findings Include:

- Enrollment in BFH reduced the use of emergency shelter and transitional housing by 50% and doubled the use of rapid re-housing services in the 6 months following program entry.
- BFH families with a child in foster care and receiving Family Reunification services were 68% more likely to have a family reunification at the 180-day mark than non-BFH families.
- Most BFH families (52%) that exited the program by the end of the program's second year left to permanent housing and only 3% reported exiting to homelessness.

CDSS has provided the lists of 53 counties and 25 tribes receiving BFH funds. The information for tribes includes information across other CDSS-administered housing and homelessness programs. These lists are included on the following pages.

County Fiscal Letter No. 22/23-43 Attachment I

FISCAL YEAR (FY) 2022-23 BRINGING FAMILIES HOME (BFH) ALLOCATION COUNTIES	FY 2022-23 BFH ALLOCATION ALL COUNTY WELFARE DIRECTORS LETTER (ACWDL) DATED SEPTEMBER 21, 2022	REDISTRIBUTION	FY 2022-23 BFH FINAL ALLOCATION
Alameda	$2,663,334	$0	**$2,663,334**
Alpine	$250,000	($250,000)	**$0**
Amador	$250,000	$0	**$250,000**
Butte	$494,725	$10,784	**$505,509**
Calaveras	$250,000	$5,449	**$255,449**
Colusa	$250,000	$0	**$250,000**
Contra Costa	$1,079,500	$23,531	**$1,103,031**
Del Norte	$250,000	($250,000)	**$0**
El Dorado	$279,991	$6,103	**$286,094**
Fresno	$1,810,337	$39,462	**$1,849,799**
Glenn	$250,000	$5,449	**$255,449**
Humboldt*	$1,521,931	$33,175	**$1,555,106**
Imperial	$497,484	$0	**$497,484**
Inyo	$250,000	$0	**$250,000**
Kern	$1,103,151	$0	**$1,103,151**
Kings	$405,681	$8,843	**$414,524**
Lake	$250,000	($250,000)	**$0**
Lassen	$250,000	$0	**$250,000**
Los Angeles	$30,060,753	$655,268	**$30,716,021**
Madera	$311,882	$6,798	**$318,680**
Marin	$337,110	$7,348	**$344,458**
Mariposa	$250,000	$5,449	**$255,449**
Mendocino	$308,514	$6,725	**$315,239**
Merced	$385,260	($385,260)	**$0**
Modoc	$250,000	$0	**$250,000**
Mono	$250,000	$5,449	**$255,449**
Monterey	$806,961	$0	**$806,961**
Napa	$250,000	$5,449	**$255,449**
Nevada	$250,000	$5,449	**$255,449**
Orange	$3,609,346	$78,676	**$3,688,022**
Placer	$425,000	$9,264	**$434,264**
Plumas	$250,000	$0	**$250,000**
Riverside	$2,583,139	$56,307	**$2,639,446**
Sacramento	$2,508,763	$54,686	**$2,563,449**
San Benito	$250,000	$5,449	**$255,449**
San Bernardino	$2,940,892	$0	**$2,940,892**
San Diego	$3,558,608	$0	**$3,558,608**
San Francisco	$4,015,877	$87,538	**$4,103,415**
San Joaquin	$1,091,204	$0	**$1,091,204**
San Luis Obispo	$1,587,971	$0	**$1,587,971**
San Mateo	$634,714	$13,835	**$648,549**
Santa Barbara	$742,442	$16,184	**$758,626**
Santa Clara	$3,526,143	$76,863	**$3,603,006**
Santa Cruz	$1,566,553	$34,148	**$1,600,701**
Shasta	$556,152	$12,123	**$568,275**
Sierra	$250,000	$0	**$250,000**
Siskiyou	$250,000	$0	**$250,000**
Solano	$524,719	$0	**$524,719**
Sonoma	$1,609,275	$35,079	**$1,644,354**
Stanislaus	$1,000,173	$21,802	**$1,021,975**
Sutter	$339,645	$7,404	**$347,049**
Tehama	$250,000	($250,000)	**$0**
Trinity	$250,000	$0	**$250,000**
Tulare	$757,918	$16,521	**$774,439**
Tuolumne	$250,000	$5,449	**$255,449**
Ventura	$915,487	$0	**$915,487**
Yolo	$364,365	$7,942	**$372,307**
Yuba	$700,000	$15,259	**$715,259**
TOTAL	**$82,875,000**	**$0**	**$82,875,000**

CDSS Housing and Homelessness Tribal Awards
FY 2021/22 and FY 2022/23

HHD Tribal Grantees	HHD Program & Allocation
Bear River Band of the Rohnerville Rancheria	BFH: $325,000
Big Valley Band of Pomo Indians of the Stewarts Point Rancheria	BFH: $396,879 Home Safe: $325,000 HDAP: $450,000
Bishop Paiute Tribe	BFH: $390,690 Home Safe: $494,132 HDAP: $731,864
Cahto Band of the Laytonville Rancheria	BFH: $360,520 Home Safe: $381,363 HDAP: $450,000
Campo Band of Mission Islands	BFH: $325,000 Home Safe: $428,994 HDAP: $450,000
Chemehuvi Indian Tribe	BFH: $325,000 Home Safe: $325,000
Cher-Ae Heights Indian Community of the Trinidad Rancheria	BFH: $398,596 Home Safe: $325,000
Dry Creek Rancheria Band of Pomo Indians	BFH: $386,484 Home Safe: $480,991 HDAP: $450,000
Enterprise Rancheria	BFH: $403,268 Home Safe: $433,154
Fort Bidwell	BFH: $374,367 Home Safe: $452,104
Fresno American Indian Health Project	BFH: $325,000 Home Safe: $325,000 HDAP: $450,000
Greenville Ranchers	BFH: $325,000 Home Safe: $360,000 HDAP: $450,000
Habematolel Pomo of Upper Lake	BFH: $385,250 Home Safe: $381,250

Hoopa Valley Tribe	BFH: $369,879 Home Safe: $440,549 HDAP: $1,000,000
Manchester Band of Pomo Indians	BFH: $669,980 Home Safe: $432,407 HDAP: $1,576,713
Native American Health Center	BFH: $325,000
Northern Circle Indian Housing Authority	BFH: $414,665 Home Safe: $440,575 HDAP: $450,000
Pala Band of Mission Indians	BFH: $371,225 Home Safe: $467,587
Picayune Rancheria of Chuckchansi Indians	BFH: $663,172 Home Safe: $689,958 HDAP: $1,718,712
Pit River Tribe	BFH: $504,515 Home Safe: $440,549 HDAP: $500,000
Tolowa Dee-ni' Nation	BFH: $369,879 Home Safe: $440,549 HDAP: $500,000
Torres Martinez Desert Band of Chauilla	BFH: $325,000 Home Safe: $325,000 HDAP: $450,000
United American Indian Involvement	BFH: $392,318 Home Safe: $498,323 HDAP: $450,000
Susanville Indian Rancheria	BFH: $325,000 Home Safe: $361,935 HDAP: $450,000
Yurok Tribe	BFH: $575,313 Home Safe: $750,580 HDAP: $4,472,711

Panel

Requests and Questions for the Panel:

◊ How much of the proposed $80 million would be possible to delay at this point and how would that occur?

◊ Please provide additional detail on the types of services and supports that families receive through BFH and how these have led to stability outcomes for children in child-welfare involved families.

◊ How many families total have been served through BFH and how many are currently being served? What impact will the proposal have on those currently being served?

◊ How many families receiving BFH supports reunify and how many do not?

◊ Please provide a status on the pending BFH pilot evaluation and when it will be available.

- Kim Johnson, Director, California Department of Social Services
- County Representative, Name Pending
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following comments and questions on this Governor's delay proposal.

Impacts of Proposed Delay on Grantees/Beneficiaries: Would the proposed delay cause any disruption to program implementation? How quickly have counties been expending their 2021-22 and 2022-23 allocations?

Implementation Challenges: For counties that have not been spending down their allocations as quickly, are there implementation challenges preventing them from using their full annual funding within the intended timeframe?

Staff Comments

Staff Recommendation: Hold open.

Issue 7: Governor's Permanent Rate Structure Proposal

The 2024-25 Governor's Budget proposes to include $12 million General Fund in FY 2024-25 to make automation changes for a reformed foster care rate structure. On March 7, 2024, the Administration released its proposed trailer bill language for this proposal for a Permanent Rate Structure and the associated fiscal impact, included below, was recently released as well.

	Existing Foster Care Rate Costs		Proposed Expenditures					
	2023-24		2024-25*	2025-26*	2026-27*	2027-28*	2028-29*	2029-30*
General Fund	$317		$12	-	$425	$647	$873	$896
Federal Fund	$140		-	-	$77	$125	$175	$193
County Fund	$2		-	-	$4	$7	$9	$10
Total	$459		$12	-	$506	$779	$1,057	$1,099

*Estimate; Excludes state operation costs
Dollars In Millions

Background on CCR Rates. The following is information provided by the Legislative Analyst's Office (LAO). As part of implementing CCR, the state developed a new foster care maintenance payment rates structure to replace the previous age-based and group home rates structure. Under CCR, foster care rates must be based on the assessed level of need of individual youth ("level of care"), with youth requiring higher levels of behavioral health supports and other more therapeutic and intensive services receiving higher rates. Since 2017, the state has been implementing interim level of care (LOC) rates for resource families, Short-Term Residential Therapeutic Programs (STRTPs), Foster Family Agencies (FFAs), Intensive Services Foster Care (ISFC), and other specialized models of foster care. Statute specifies that the interim rates will expire December 31, 2024 and that the permanent, ongoing LOC rates structure will be established by January 1, 2025. In working toward meeting this statutory requirement, alongside the 2024-25 Governor's budget, DSS has shared an initial concept paper outlining a new proposed framework for the permanent rates structure.

Current Rates Structure Relies on Level of Care Protocol (LOCP). The current, interim rates rely on the LOCP, which is a tool used by local child welfare staff to assess the care and supervision needs of foster children, and match those needs to a board and care rate. There are four levels of care and corresponding rates for foster youth placed with resource families: the basic rate (LOC 1), LOC 2, LOC 3, and LOC 4. If youth are assessed as having certain care needs requiring higher levels of support, they may be categorically eligible to receive the ISFC rate or rates for other specialized models of care.

Administration's New Proposed Framework Makes Key Changes to Current Rates Structure. At a high level, the proposed structure aims to align rates to a youth's assessed level of strengths and needs, and would not be tied to a specific placement type. To do so, the administration proposes:

Developing Tiers. The new structure would classify children into Tiers 1, 2, 3, and 3+ (with tier three divided into two sub-tiers based on a child's age). Children with higher-acuity needs would be classified into higher tiers, while children with relatively less-intensive needs would be classified into lower tiers. Children six years of age and older with the most intensive behavioral health and other needs would be classified as Tier 3+; this is the only tier where STRTP placements may be deemed necessary.

Developing Rate Components. Within each tier, rates would be based on three components, aiming to reflect children's needs in those areas. Children classified into higher tiers likely would receive higher rates across some or all of the rate components, reflecting their more intensive level of need. Although few details about the rate components are known at this time, they fall into the following high-level categories:

(1) Care and supervision rate, paid to the caregiver.
(2) Strength building and maintenance rate, with activities and services overseen by a financial management coordinator.
(3) Immediate needs rate, when relevant.

Using the Child and Adolescent Needs and Strengths (CANS) Assessment to Determine the Appropriate Level of Care and Supports Needed. LOCP would no longer be used to determine rates. Under current policies, CANS assessments are completed as part of the Child and Family Team (CFT) process. Based on an initial analysis of CANS data, DSS has estimated the distribution of foster youth across the newly proposed tiers, as shown in the next figure.

Department of Social Services Estimated Distribution of Youth Across Proposed Tiers

	Tier 1	Tier 2	Tier 3	Tier 3+
Estimated Proportion of Foster Youth:	74 percent	19 percent	4.5 percent	2.5 percent
Overall Profile of Youth:	Children ages 0-5 and 6+ with relatively low levels of need	Children ages 0-5 and 6+ with moderate levels of need	Children ages 0-5 with the highest levels of need	Children ages 6+ with the highest levels of need

Budget Proposal Includes Initial Funds to Begin Automation. To begin making automation changes necessary to implement the new rates structure, the Governor's budget includes $12 million General Fund in 2024-25 for the state's new child welfare data system (CWS-CARES) and the state's eligibility and rates system (the Statewide Automated Welfare System). This amount represents the administration's initial estimate to begin automation; actual automation costs could be higher once the full details of the new rates structure and scope of necessary automation updates are known. The Governor's proposed multi-year budget does not include the out-year net costs of the new rate structure, but this would be expected to be reflected in the pending May Revision.

Trailer Bill Recently Released. The Administration released the trailer bill language earlier in March, which is undergoing review. The following detail on the rates was provided by the Administration, tying to the language.

Proposed Permanent Foster Care Rates Structure Framework

Tier 1 (74% of children and youth) (Latent Classes 1 and 2 for the 0-5-year-olds and Latent Classes 1, 2, and 3 for the 6+ year olds)	
Care and Supervision Paid to the caregiver	$1,788
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$500
Immediate Needs	NA
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$1,610

Tier 2 (19% of children and youth) (Latent Class 3 for the 0 – 5-year-olds and Latent Classes 4 and 5 for the 6+ year olds)	
Care and Supervision Paid to the caregiver	$3,490
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$700
Immediate Needs County or contracted provider coordinate services	$1,000
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3 (ages 0-5) (4.5% of children and youth) (Latent Class 4 for 0 – 5-year-olds)	
Care and Supervision Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$1,500
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3+ (ages 6+) (2.5% of children and youth) (Latent Class 6 and 6a for 6+ year olds)	
Care and Supervision Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$4,100
FFA/STRTP Admin (for youth placed in an FFA or an STRTP) *Recruitment, retention, approval, training, etc.*	$7,213

DSS Will Continue Seeking Stakeholder Feedback on New Rates Structure. In developing this initial framework for the new rates structure, DSS convened a series of stakeholder workgroups in fall 2023. DSS is holding another round of meetings with stakeholders starting in February 2024 through April 2024 to gather feedback and input on the proposed framework.

The Legislature adopted the following Supplemental Report Language (SRL) as part of the 2023 Budget:

> **Level of Care Permanent Rates.** As part of the January 10, 2024 Governor's proposed 2024-25 budget, the Department of Social Services (DSS) shall include a schedule for stakeholder input and consultation on the Continuum of Care Reform Permanent Rates Proposal. This shall include a minimum of two meetings with the Legislative Analyst's Office, child welfare advocacy groups, foster youth, counties, provider groups, and legislative policy and fiscal staff that shall take place prior to April 1, 2024. DSS shall provide a summary of the stakeholder consultation meetings, highlighting any concerns and opportunities associated with the administration's proposal, with the 2024 May Revision, and no later than May 14, 2024.

Placement Caseload. As of October 1, 2023, there are 45,044 youth in foster care. The following chart is provided by DSS on the current out-of-home placement caseload, up to 2022-23.

FOSTER CARE ACTUAL OUT-OF-HOME PLACEMENT CASELOAD

The following reflects the average monthly number of children/youths served in FC out-of-home placements, based on the actual number of payments made.

Fiscal Year	Total Children/Youths Caseload	FFH/Relative Caseload	FFA/ISFC Caseload	Congregate Care Caseload	Over 18 FC Caseload[1]	ARC Caseload[2]	Emergency Assistance FC Caseload
2009-08	60,230	30,558	17,608	8,744	-	-	3,320
2010-11	54,883	27,293	16,140	7,660	-	-	3,790
2011-12	51,041	25,114	14,681	7,116	765	-	3,365
2012-13	50,325	24,429	13,020	6,374	2,998	-	3,504
2013-14	53,781	24,494	13,108	6,111	6,095	-	3,973
2014-15	56,573	24,981	13,528	6,149	7,219	547	4,149
2015-16	57,863	24,240	13,296	5,821	7,144	3,368	3,994
2016-17	55,014	22,908	12,652	5,476	6,250	4,105	3,623
2017-18	53,451	20,764	12,710	5,536	6,811	3,718	3,912
2018-19	57,485	20,961	11,894	4,804	6,984	5,395	7,447
2019-20	57,364	21,540	11,178	4,157	7,218	4,052	9,219
2020-21	56,458	22,096	10,785	3,472	7,503	4,814	7,788
2021-22	52,553	21,205	9,942	2,674	6,993	5,069	6,670
2022-23	49,616	20,535	8,961	2,452	6,632	4,727	6,309

Panel

Requests and Questions for the Panel:

◊ Please broadly outline the trailer bill proposal for the Subcommittee.

◊ What pain points are advocates/stakeholders identifying in the language so far?

◊ How are Supervised Independent Living Placements (SILPs) and how is the Infant Supplement included in the rate reform proposal?

◊ How will placements in Short Term Residential Therapeutic Programs (STRTPs) and Foster Family Agencies (FFAs) and costs for these placements work within the rate proposal? Will higher needs placements remain viable in the long-term under this proposal?

◊ What will families retain or lose under the rate reform proposal once a child is stably placed?

◊ Which components of the trailer bill are essential, in the Administration's view, to adopt with the 2024 Budget and which may need additional time to continue to work with Legislative staff, including policy committees, as well as counties and stakeholders post July 1, 2024?

◊ Please explain the out-year costs of this proposal. How does this reconcile with major cuts the Governor is proposing for foster care and prevention efforts, like CalWORKs Subsidized Employment and Family Stabilization?

- Kim Johnson, Director, and Angie Schwartz, Deputy Director, California Department of Social Services
- Christine Stoner-Mertz, Chief Executive Officer, California Alliance of Child and Family Services
- Kristin Power, Vice President, Policy & Advocacy, Alliance for Children's Rights
- Eileen Cubanski, Interim Executive Director, County Welfare Directors Association of California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following comments on this Governor's proposal. These comments were posted prior to the recent release of the Administration's trailer bill language proposal. Explicit questions about the then-pending trailer bill and cost/fiscal impact have been removed.

Are CANS Assessments Completed Consistently? Considering CANS data would be used to assess needs—and ultimately the rate tier—for all youth under the proposed rates framework, what oversight mechanisms has DSS included to ensure that CANS assessments are completed consistently, on time, and to model fidelity? Are any protocol changes needed around the current CANS or CFT processes to facilitate the necessary oversight?

What Is the Scope of Funded Services? Considering that the strength building and maintenance rate component and immediate needs rate component are new concepts, what is the proposed scope of services/supports/activities intended to be funded via these components? For example, is funding for foster youth activity stipends or respite care for caregivers—two areas where the state recently has provided one-time/limited-term funding augmentations—intended to be continuously funded by either of these new rate components? What types of services for youth with higher-acuity needs would be funded in the higher tiers?

How Are Rate Amounts Determined? Stakeholder feedback provided during the workgroups convened by DSS last fall indicated that overall foster care rates needed to be higher across the board to adequately fund care, supervision, services, and other costs. How are the new rate amounts determined? In particular, how are the rates in the higher-level tiers determined? How are the administrative portions of rates for FFAs and STRTPs determined? Does the rates structure provide regional variation to account for the higher cost of housing and services in some areas of the state?

How Do Rates Account for Non-Minor Dependents and Transitional Housing? How are non-minor dependents—and their most common placement type, SILPs—accounted for in the rates structure? How are other transitional housing programs accounted for?

How Do Rates Account for Specialized Foster Care Models? For youth currently receiving rates aligning with specialized models of care, such as ISFC, ISFC+, Therapeutic Foster Care, and STRTPs of 1, how are these placement types and specialized rates accounted for in the rates structure?

What Is the Implementation Plan? How would the new rates structure be phased in and over what period of time? Does the interim rates structure need to be formally extended in statute while the new rates structure is phased in? (As noted earlier, statute specifies that the interim rates will expire December 31, 2024, and that the permanent, ongoing LOC rates structure will be established by January 1, 2025.)

What Is the Automation Time Line? Typically, automation efforts cannot begin until the full detailed guidance is provided by the department to counties. Depending on the level of detail included in the trailer bill language, how much time would be needed for the department to develop the full detailed guidance for counties? Is the initial automation funding of $12 million General Fund included in the Governor's budget for 2024-25 realistically going to be spent in the budget year? Could these funds be provided in a future year without causing a delay to implementation?

How Will the Legislature Conduct Ongoing Oversight? How will implementation success be measured? What data will be collected? What are proposed legislative reporting requirements?

Staff Comments

Staff Recommendation: Hold open.

Issue 8: Promise Neighborhood Program Implementation Oversight

Program Background. The mission of the California Promise Neighborhoods is to provide cradle-to-career investments to help families and their children live in communities of opportunity. These place-based and multi-generational strategies saturate the target community with early childhood education, K-12 academic support, college and career readiness, and family supportive services.

State Investment in Promise Neighborhoods. As part of the 2022-23 Governor's Budget, the California Department of Social Services (CDSS) provided $12 million in funding to four Promise Neighborhoods (PNs). Additionally, CDSS executed a $1.5 million contract with the California State University, East Bay Foundation, Inc. to provide evaluation, technical assistance, and communication support to the four PNs.

Funding Status. CDSS issued $3 million in funding to each PN (totaling $12 million) in July 2023. Each PN provides a yearly report to CDSS on expenditures and outcomes in October, based on the prior Fiscal Year. For the period of 1/1/23 – 6/30/23, PNs spent down $455,096 total. CDSS will receive expenditure reporting for the period of 7/1/23-6/30/24 in October 2024.

Promise Neighborhood Description and Activities.

Chula Vista Promise Neighborhood (CVPN)
Chula Vista, in south San Diego County, has 6,744 residents and over 85% of the community identify as Latino. 30% of the adult population has completed high school. During the first six months of 2023, the CVPN prepared for the transition from federal to state funding. CVPN reported the following activities and outcomes:

- Early Learning: 630 caregivers in the community were contacted regarding parenting classes and developmental screenings for children ages 0-5, with referrals to specialists for children with identified developmental needs. 128 caregivers received professional development training to promote early language literacy, and by the end of the training, 100% of caregivers reported reading to children 1-3 times a week.

- K-12 Services: During Pre-COVID years, CVPN had a 92% college enrollment rate, which dropped to 66% during COVID. College enrollment rebounded to 87% during the academic year 2022-2023.

- Community Engagement: CVPN's Resident Leadership Academy advanced community civic engagement and Promotoras connected over 25,000 individuals to services and information.

Everett Freeman Promise Neighborhood ("Corning Promise")
The Corning-Paskenta Tribal Community, in northern California, has an overall poverty rate of 37.1 percent which is nearly double the state and national averages. Due to the timing of the distribution of state PN funds, no activities were implemented during the reporting window. However, Corning Promise has focused on developing a broad base of cross-sector

partnerships upon which to codify best practices and maximize leadership and professional competencies.

During the pandemic, there were magnified challenges such as declining and inconsistent enrollment, staff shortages, mental health concerns, and a high number of students struggling to meet grade-level standards. Corning Promise counts the following as building blocks to community transformation in the upcoming reporting period:

- Data Analysis: Community and school-level data informing solutions spanning different service sectors.

- Solution Identification: Meeting with cross-sector partners to identify solutions to span the cradle-to-career continuum and affecting population-level change goals.

- Development of Performance Indicators: Development of performance indicators to create an analytical base for decision-making and measure effectiveness.

Hayward Promise Neighborhood (HPN)
HPN is in the San Francisco Bay Area's East Bay region and serves 158,937 residents who are ethnically diverse. Due to the timing of state funds distribution, HPN carried over federal funds to support programs for January – June 2023. More than half of the state funds are expected to be spent in 2023-24, when HPN will allocate funding grants to partners to continue serving students and families in South Hayward, where services are in high demand.

HPN has developed new strategies that they will pilot to support all neighborhoods, including exploring a community hub where families can access resources through HPN partners, a mobile technology unit to increase access to technology needs, and increasing adults' access to post-secondary education, with a focus on English language learners and newcomer families. HPN has also developed a new framework to support a more comprehensive view of programs through an asset-based approach.

Mission Promise Neighborhood
The Mission Promise Neighborhood (MPN) in San Francisco serves a mostly immigrant Latino community, with a 30 percent poverty rate. Families are offered tools, training, and coaching to support their own income advancement and financial security.

MPN reported the following activities:

- Neighborhood Level Solutions: 244 Family Portfolios, an organizational tool for parents to share information about their child with teachers, were distributed to Pre-Kindergarten and Transition to Kindergarten families. The MPN Scholarship Fund funded six scholarships for graduating seniors.

- Community Leadership: 123 individuals graduated from Abriendo Puertas early learning parent leadership program. 29 parents and children participated in the End Child Poverty Coalitions' advocacy day.

- Multigenerational Wraparound Services: 461 clients were served by Family Success coaches. 570 clients had completed referrals, from a proposed goal of 1,000 referrals for the year.

- Wealth-building Services: 636 MPN clients accessed housing, financial, and business support services. MPN assisted 529 families with their tax filings.

Panel

Requests and Questions for the Panel:

◊ Please summarize the implementation efforts and the expenditure of funds in this initiative.

◊ How can these efforts be scaled state-wide and what resources are needed to do so?

- Kim Johnson, Director, California Department of Social Services
- Edgar Chavez, Executive Director of Hayward Promise Neighborhood
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 9: Governor's Proposal Regarding the California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)

The Governor's Budget proposes a joint implementation effort between the Department of Social Services and the Department of Health Care Services, with investments for caseworker visits and activity stipends for children served in the Child Welfare Services/Foster Care system, for the California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration. The Governor's Budget includes total combined resources of $350.4 million General Fund, $87.5 million Mental Health Services Fund, $2.6 billion Medi-Cal County Behavioral Health Fund, and $4.6 billion federal funds through the term of the waiver across both departments to implement the BH-CONNECT Demonstration, effective January 1, 2025. The costs for CDSS workload as part of BH-CONNECT is $2.7 million General Fund in 2023-24 ($3.6 million total funds) and $15.5 million General Fund in 2024-25 ($21 million total funds).

Limited funding for county child welfare agencies to begin planning and readiness activities in preparation for FM CFT meetings was appropriated for FY 23-24; policy guidance and allocation amounts to county child welfare agencies and Tribes with Title IV-E Agreements with the State will be released February 2024. Funding for the implementation of these initiatives will begin in 2024-25.

These DSS funded activities are tied to the implementation dates of BH-CONNECT, upon approval by Federal CMS. Currently, the start date is anticipated to be January 1, 2025 (FY 24-25), and the end date is anticipated to be December 31, 2029. County child welfare agencies and mental health plans will collaborate to directly implement these initiatives once policy guidance and funding becomes available from the State.

The policies, outcomes, and reporting regarding these initiatives are still under development by CDSS and DHCS. The two departments are actively partnering and meeting to develop further detailed guidance, policy, outcomes, and reporting regarding these initiatives, in anticipation of federal approval of BH-CONNECT and an anticipated implementation date of January 1, 2025.

Panel

Requests and Questions for the Panel:

- ◊ What are the DSS components of BH-CONNECT? Please describe each of these and the associated funding (please provide this detail to the Subcommittee).

- ◊ Under what authority will these activities take place, how will they be measured, and what is the role of the Legislature?

- Angie Schwartz, Deputy Director, California Department of Social Services
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 10: Governor's Budget Change Proposal on Case Review Allocation Adjustment

This proposal is for an increase in reimbursement authority of $1,154,000 in 2024-25 and $1,128,000 in 2025-26 and ongoing to address the workload associated with federally mandated activities for the Child and Family Services Reviews (CFSR). This is funded by a 100% reimbursement from the counties.

The six new positions will be completing CFSR case reviews and quality assurance for small rural counties who are currently contracting back and an additional 5 counties interested in contracting back with the CDSS to complete reviews on their behalf. The number of counties requesting to contract back with CDSS has increased, as well as the workload from changing federal expectations. Additionally, these positions will develop resources and desk guides for completing onsite reviews. Without these requested resources, DSS will not be in compliance with federal requirements and risks federal penalties.

Panel

Requests for the Panel:

◊ Please describe what new activities the requested six positions will be responsible for and explain how the county contracts relate to this.

◊ Explain what will occur in the absence of these resources.

- Angie Schwartz, Deputy Director, California Department of Social Services
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 11: Governor's Trailer Bill Proposal on Family First Prevention Services Program (FFPSA) and Oversight of Parts I and IV Implementation

The Subcommittee requested information regarding the status of expenditure of the $222.4 million General Fund state block grant (SBG) for the Family First Prevention Services Program (FFPSA). The following information was provided by DSS. The Budget Act of 2021 states that the funds "shall be available for county prevention services activities consistent with the provisions of Part I: Prevention Activities Under Title IV-E, of Public Law 115-123." Additionally, Welfare and Institutions Code Section 16588(c)(3)(B) requires counties to utilize SBG funds towards the nonfederal share of cost of prevention services as described in federal law. The SBG is available for encumbrance or expenditure until June 30, 2024. Existing law also provides an exemption from state contracting requirements for the FFPSA Program through June 30, 2024.

Implementation Update. DSS reports that on March 11, 2022, County Fiscal Letter: CFL 21/22-84: Fiscal Year 2021-22 Family First Prevention Services Program State Block Grant (SBG) General Fund Allocation was released. Counties were allocated a total of $198,075,000 and have expended $11,789,654 as of February 2024. FY 2022-23 quarters 1-4, counties expended a total amount of $6,386,411 and as of early 2023, counties have already expended $5,336,857 in quarter 1 FY 2023-24, therefore CDSS does foresee an increase in counties utilizing their SBG towards prevention efforts.

Total Allocation CFL 21/22-84	**Expenditures**	**Surplus**	**Percentage Spent**
$198,075,000	$11,789,654	$186,285,346	5.95%

Expenditures for the SBG remain significantly below anticipated amounts due to several counties that had intended to utilize the funds to meet the federal Title IV-E match requirements as per Family First Prevention Services Act. Counties are currently unable to draw down FFPSA Part 1 funding, until a statewide automated system is in place (CARES), which is anticipated to go live in 2026. Once CARES is in place, it is expected counties will begin drawing down State Block Grant funds much more quickly.

The CDSS recognizes that although funds have not been expended at the rate anticipated, the counties are leveraging term-limited funding for the purposes of meeting long-term prevention goals as intended by the federal legislation.

Below is additional information provided by DSS.

1. **Federal Match.** One intended purpose of SBG funds is to serve as a federal match for Family First Prevention Services Act (FFPSA). However, the utilization of FFPSA funds by counties for services and Title IV-E Tribes is contingent upon the implementation of CWS-CARES in order to meet federal requirements to track services expenditures for each individual child or family.

It is anticipated that the FFPSA component of CWS-CARES will be operational by FY 2027-2028. Due to this timeline, it is crucial to carefully manage expenditures of SBG funds. Exhausting all SBG funds prior to the implementation of FFPSA part of CWS-CARES could necessitate the allocation of substantial additional funding by the State to meet the federal match requirements.

By properly pacing the expenditures of these funds, we can maintain a balanced financial framework and make sure the necessary federal match requirements are met.

2. **Timely Execution.** After completion of the planning process, counties are now poised to move forward with implementation of their prevention strategies. In this phase, most counties and Title IV-E Tribes have identified the SBG as the primary source of funding for implementation of innovative prevention strategies and activities. Extending the deadline to expend funding makes sure that counties and Title IV-E agencies have the means necessary to implement the well-thought-out prevention initiatives.

3. **Contractual Process.** An extension of the expenditure deadline for utilizing SBG funds would provide counties with ample time to draft contracts, finalize negotiations, and make sure there is compliance with all necessary requirements. This adjustment aims to facilitate the process, enabling counties to effectively utilize their allocated funds without unnecessary delays.

   The State is also in the process of drafting contracts to implement FFPSA requirements for training, model fidelity oversight of EBPs and quality improvement, all of which require statewide consistency. Execution of these contracts could not be completed prior to the approval of the state plan as some elements were details under negotiation with ACF. Counties are unable to implement these elements until state level contracts are implemented and subsequent guidance (ACLs) have been issued.

4. **Sustainable Impact.** The extension of the SBG will allow counties to sustain their prevention efforts over a more extended period. Long-term support is vital for making sure that prevention programs can be fully implemented, evaluated, adjusted as necessary, leading to more substantial and sustainable positive outcomes for communities across California, specifically those that are disproportionality impacted by the child welfare system.

5. **Cross-Sector Collaboration.** Both federal legislation and state law mandate that Title IV-E agencies engage in cross-sector collaboration with government entities and community-based organizations to establish a CPP and determine the most effective utilization of Family First Prevention funding. Breaking down existing silos and developing innovative fiscal strategies require time and commitment to finding creative solutions. In this regard, an extension of the SBG funds becomes instrumental. It grants Title IV-E agencies the opportunity to collaborate with their prevention partners to devise sustainability plans and construct collaborative structures that promote program stability for years to come.

6. **Infrastructure Development.** The establishment or expansion of programs requires a significant investment of both time and funds. However, many Title IV-E agencies face challenges in making sure the necessary infrastructure is in place for such endeavors. For example, in California, leasing space to house programs comes at a significantly higher cost compared to other regions in the country. Additionally, both community-based organizations and government agencies are grappling with staffing shortages and alarmingly high turnover rates. Moreover, rural areas are struggling to afford the service provider costs associated with innovative interventions.

   The flexibility of the SBG funds presents a solution for Title IV-E agencies. These funds provide an avenue for agencies to address these challenges and identify viable solutions. These funds can be utilized to attract and retain qualified staff, alleviate the burden of staffing shortages and high turnover rates. Furthermore, SBG funds can be allocated towards leasing agreements, enabling agencies to establish the necessary infrastructure for new programs.

Governor's Proposed FFPSA Trailer Bill Language. According to the Administration, this trailer bill language would extend the sunset date, from July 1, 2025 to July 1, 2028, for the FFPSA contract exemption language consistent with the proposed reappropriation of unexpended funds for this program. This trailer bill language would also authorize DSS to provide an exemption for small counties, as specified, from the requirement to use FFPSA State Block Grant funds as a match for a Title IV-E eligible prevention services, enabling small counties to receive grant funds to provide other prevention services outside of the limited federally-eligible Title IV-E prevention services.

Contracts for the FFPSA Program support development and implementation of prevention services to strengthen families and prevent children from entering foster care. The statutory exemption for FFPSA contracts was created to expedite the procurement of critical services necessary to implement and support the program that would otherwise be subject to the requirements of the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code, the State Contracting Manual, and the Public Contract Code. As a result, these contracts are not subject to the review or approval of the Department of General Services and are exempt from the competitive bidding process. Given unexpended funding from the FFPSA State Block Grant is proposed to be reappropriated with availability until June 30, 2028, the proposed statutory changes to extend the contract exemption would correspond with the reappropriation. Without extension of the exemption, contracts are at risk of delays going through the lengthy competitive bid and Department of General Services review process.

Small counties may not have the same infrastructure and resources as a larger county to immediately implement a Title IV-E eligible prevention service. Statutory change is needed to help make sure small counties can participate in the FFPS Program and provide foster care prevention services in their communities. The requirement that grant funds be used to support a federally-eligible Title IV-E prevention service is a barrier to continued participation of small counties. Without this change, many small counties likely will not be able to participate in the FFPS Program, which could further increase program and resource inequities between smaller and larger counties as access to State Block Grant prevention funding will be limited for small counties.

Panel

Requests for the Panel:

◊ Please provide an update on FFPSA related spending, why the limited amount of funding has been used, and the consequences for populations served.

◊ Explain the proposed trailer bill changes and why they are necessary.

- Angie Schwartz, Deputy Director, California Department of Social Services
- Eileen Cubanski, Interim Executive Director, County Welfare Directors Association of California
- Marlon Davis, Staff Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 12: Department of Child Support Services Overview and Federal Performance Measures Update

Department Overview. The child support program is a federal-state program that establishes, collects, and distributes child support payments to participating parents with children. These tasks include: locating difficult to find parents; certifying paternity; establishing, enforcing, and modifying child support orders; and collecting and distributing payments. In California, the child support program is administered by 47 county and regional local child support agencies (LCSAs), in partnership with local courts. Local program operations are overseen by the state Department of Child Support Services (DCSS).

(Dollars in Thousands)

State Operations	FY 2023-24	FY 2024-25	Difference
Personal Services	$105,158	$105,876	$718
Operating Expenses & Equipment	$111,943	$109,914	-$2,029
Total, State Operations	**$217,101**	**$215,790**	**-$1,311**
General Fund	$66,949	$67,192	$243
Federal Trust Fund	$150,029	$148,475	-$1,554
Reimbursements	$123	$123	$0
Local Assistance			
Child Support Administration	$913,821	$912,182	-$1,639
Child Support Automation	$73,037	$73,037	$0
Total, Local Assistance	**$986,858**	**$985,219**	**-$1,639**
General Fund	$313,051	$312,728	-$323
Federal Trust Fund	$548,277	$611,555	$63,278
Child Support Collections Recovery Fund	$125,530	$60,936	-$64,594
Total, All Programs	**$1,203,959**	**$1,201,009**	**-$2,950**
Total Funding			
General Fund	$380,000	$379,920	-$80
Federal Trust Fund	$698,306	$760,030	$61,724
Reimbursements	$123	$123	$0
Child Support Collections Recovery Fund	$125,530	$60,936	-$64,594
Total, All Funds	**$1,203,959**	**$1,201,009**	**-$2,950**

DCSS Headquarters Positions (as of 12/31/23)		
Authorized	Filled[1/]	Vacant
699.2	664	35.2

[1/] Includes recruitments in process

Federal Performance. DCSS's performance as measured by the Federal Performance Measures (FPMs) were impacted by the unprecedented fiscal stimulus benefits received by families. The impact is noticeable in cost effectiveness (FPM5) due to increased collections overall and collections on cases with arrears (FPM4) due to increased intercepts in child support payments that were not consistently being made prior to the COVID stimulus programs. DCSS anticipates cost effectiveness to decrease to pre-COVID levels due to cessation of stimulus collections and budget increases for LCSAs.

Another factor that has impacted on the department's performance, particularly FPM2, in recent years is an increase in CalWORKs case referrals. In FFY 2023, LCSAs opened over 13,000 more currently assisted cases, a 17 percent increase from FFY 2022. Compared to FFY 2021, LCSAs opened 31,000 more currently assisted cases a 54 percent increase. Compared to opening cases, establishing support orders involves more casework and interaction between the parents and the courts. The enforcement and collections of new cases take time to be reflected in the federal performance measures.

Federal Performance Measures	FFY 2019	FFY 2020	FFY 2021	FFY 2022	FFY 2023
FPM #1 IV-D Paternity Establishment Percentage (PEP)	101.5%	100.6%	100.8%	104.2%	103.6%
FPM #2 Cases with Support Orders Established	92.1%	92.1%	92.8%	90.7%	88.0%
FPM #3 Collections on Current Support	66.6%	66.5%	66.5%	63.1%	63.1%
FPM #4 Cases with Collections on Arrears	66.7%	78.7%	74.5%	67.3%	64.4%
FPM #5 Cost Effectiveness	$2.51	$2.74	$2.68	$2.46	$2.35

Collectability Study Update. Effective January 2023, Family Code section 17400 provides that so long as no reduction in aid or payment to a custodial parent would result, LCSAs shall cease enforcement of child support arrearages assigned to the state that the department or the LCSA has determined to be uncollectible. DCSS has contracted with the University of California San Diego to develop a collectability determination methodology. The Department expects the report will become available in the coming months. DCSS has partnered with stakeholders and the LCSAs via workgroups to develop policy and procedures. DCSS is employing a two-phase approach to implement the new statute: (1) Mandatory Category based on Sole Source Income implemented in January 2023; and (2) Circumstantial Category based on factors identified in statute which will begin after receipt of the contracted Collectability Study through University of California San Diego. Once the report is finalized, DCSS will coordinate with LCSAs to utilize the report's finding to identify high probability cases for collectability reviews.

Additional Debt Reduction Program Updates. DCSS states that it continues to implement various services assisting the low-income population and all families, as described below and using funds within the Governor's Budget. Anything beyond that would be subject to availability of funds, which are scarce in the current environment, and competing priorities through the budget process.

DCSS has implemented the Debt Reduction Program, formerly known as Compromise of Arrears Program, pursuant to Family Code section 17560. The program authorizes DCSS to compromise a portion of government owed arrears in exchange for an agreed upon repayment structure. The repayment amount and structure would take into consideration the parent's income, family size, and cost-of-living expenses such as housing, food, transportation, and out-of-pocket medical care. These same standards are utilized by the IRS to assess taxpayers' ability to pay when applying for federal tax compromise program. The Debt Reduction Program provides an opportunity to parents to make a manageable payment that represents a small fraction of the total amount of arrears that is compromised.

DCSS is in the process of implementing the uncollectable debt program pursuant to Family Code section 17400. The program would allow a determination of collectability to be made regarding any government owed arrears. If an arrears balance is deemed uncollectable, the case may be closed if there is no current monthly support or arrears owed to the person receiving support. If the case is unable to be closed, DCSS would only enforce the obligations to the person receiving support. This program would effectively eliminate the heavy burden of government-owed debt on paying parents without the ability to pay.

Chapter 305, Statutes of 2004 (AB 2669), amended Code of Civil Procedure section 695.221 to change the order in which child support payments on arrears are credited. Beginning in 2009, collections are first credited against the principal portion of arrears until fully satisfied, and then to interest. This change was implemented to slow the growth of the statewide arrears balance, as interest is only calculated based on the principal outstanding. As shown below, the effect of this change has resulted in the total balance of interest now exceeding the total balance of principal. As the principal balance decreases and remains low, the rate at which interest accrues will also decrease.

Arrears balances as of January 1, 2024:

- Total interest (owed to government and parent receiving support) - $10.047 billion

- Total principal (owed to government and parent receiving support) - $8.153 billion

- Only government owed interest - $3.830 billion (estimated $1.801 billion state, $1.823 billion federal, $206 million county)

- Only government owed principal - $2.540 billion (estimated $1.195 billion General Fund, $1.209 billion Federal, $137 million County)

Panel

Requests for the Panel:

◊ Please provide an orientation to the Department of Child Support Services and California's performance against federal measures.

◊ Please provide an update on child support collections for foster care cases, raising any significant issues for the Legislature's attention.

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 13: Child Support Pass-Through for Formerly Assisted CalWORKs Cases Implementation Oversight

Background. The Department of Child Support Services (DCSS) provides support to over one million cases statewide, of which 213,044 are current recipients of aid and 602,511 are former recipients of aid. As a federal requirement of receiving CalWORKs assistance, parents must assign their rights of child support to the government. Any accumulated arrears from unpaid child support while the family is on CalWORKs remains assigned to the government even after aid ceases.

Implementation Update. In 2022, California passed Chapter 573, Statutes of 2022 (AB 207) to codify Family Code section 17504.2, authorizing DCSS to implement Former Assistance Arrears Pass Through of child support collections to formerly assisted families when payments are made to arrears assigned to the government. The statute leverages a federal provision (42 U.S.C. § 657(a)(6)(A)) that provides states an option to pass through collections of permanently assigned arrears to formerly assisted families and waive the federal share of recoupment, if the state passes the entire collection to the family. DCSS anticipates implementation of AB 207 in April 2024, which will apply to collections received beginning May 1, 2024.

In federal fiscal year (FFY) 2023, approximately 108,000 formerly assisted cases received a collection towards an assigned arrears balance. Based on actual 2022-23 collections of $160 million, each case on average would have received an additional $1,481 in support if pass through had been in effect. In FFY 2023, there were an additional 77,000 formerly assisted cases that have an assigned arrears balance and received collections that could benefit from pass through implementation. Although the collections were not scored against the assigned arrears balance, the department aims to improve outreach to communities to increase awareness about pass through in an effort to incentivize parents to pay their arrears knowing the funds will go to families rather than government recoupment. DCSS estimates to pass through $160.7 million to formerly assisted families in 2024-25.

In preparation for the implementation of Former Assistance Arrears Pass Through, DCSS is making required technical updates to the Child Support Enforcement system. All updates are anticipated to be completed by April 2024. In addition to system changes, DCSS is in the process of updating its website and communication materials for customers and making sure Local Child Support Agency (LCSA) staff are trained on the Child Support Enforcement system changes.

Panel

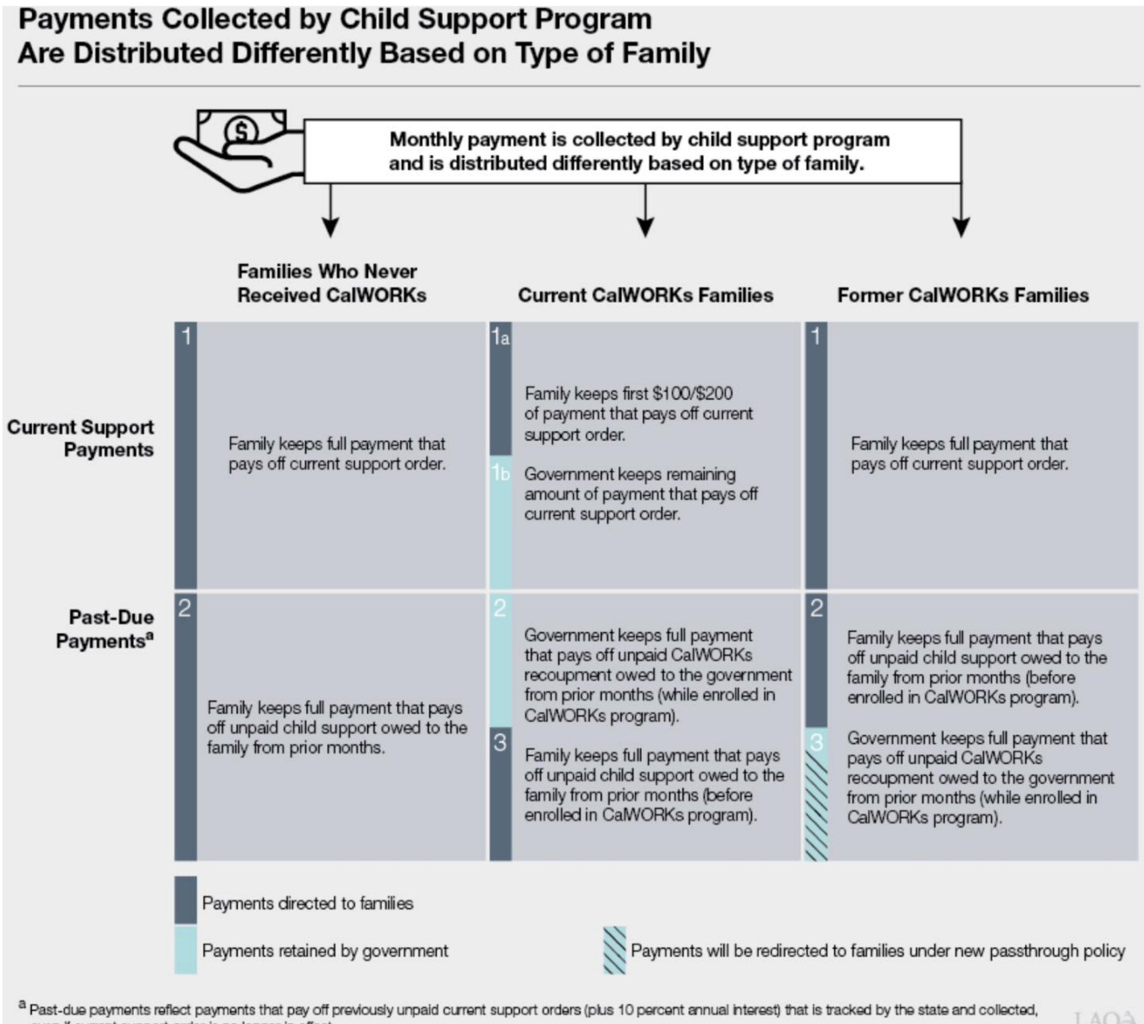
Requests and Questions for the Panel:

- What is the status of implementation?
- Please explain how families will be impacted and how the department will monitor outcomes.

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following graphic to aid in the explanation for this issue and for the next issue.



Staff Comments

Staff Recommendation: Hold open.

Issue 14: Child Support Pass-Through for Currently Assisted CalWORKs Cases Budget Status

Background. Chapter 48, Statutes of 2022 (SB 189) prioritized the authorization of full pass through of eligible child support payments to families currently receiving CalWORKs ("full pass through"), subject to a statewide General Fund availability evaluation in Spring 2024. If implemented, the cost estimate for full pass through is $151.2 million.

- $146 million based on current assistance collections. ($77.3 million in lost GF revenues, $65 million to backfill Federal share of recoupment, and $3.7 million to backfill county share of recoupment.)

- $4 million to backfill county share of recoupment for former assistance arrears pass through.

- $1.17 million to backfill the county share of recoupment associated with the increase of disregard from $50 to $100/$200.

- The former assistance pass through and disregard backfills are necessary as the department was using recoupment collections that would no longer be available if passed through to currently assisted families.

Based on the best data DCSS has available at this time, in FFY 2023, 73,000 currently assisted cases received collections. If pass through to currently assisted families is implemented, many of these families could greatly benefit from the additional financial support. Assuming $146 million is passed through to each of the 73,000 cases, each family would receive an additional $2,000 on average.

Welfare and Institutions Code section 11477.07 requires the California Department of Social Services (CDSS), in conjunction with DCSS, to convene a workgroup that consists of representatives from the Legislature, DCSS, the County Welfare Directors Association of California, advocates for low-income families with children and non-custodial parents to discuss unintended consequences of enacting a full pass through and submit a report to the Legislature by April 1, 2024. DCSS and CDSS have conducted workgroup discussions and exchanged data. DCSS estimates a cost of $1 million and 18-24 months. CDSS will also be impacted by implementation. CDSS is working with CalSAWs to determine the cost estimate and timeframe for implementation. DCSS would defer to CDSS regarding these details.

Panel

Requests and Questions for the Panel:

◊ Please describe the costs and other considerations of the full pass-through for currently assisted cases.

◊ Can DCSS provide a preview of the considerations of unintended consequences that we will see more of in the pending report due April 1?

- David Kilgore, Director, Department of Child Support Services
- Representative, Truth and Justice in Child Support Coalition
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following comments on this subject.

Given Significant Budget Deficit, General Fund Resources Are Not Sufficient to Implement Full Passthrough to Currently Assisted Families. The fiscal impact of implementing the full passthrough to current CalWORKs families is estimated to be hundreds of millions of dollars annually, including reduced General Fund revenues and backfills to the federal and county governments. Given we estimated the Governor's budget solved a $58 billion budget problem—and revenues continue to deteriorate—the administration likely will not implement the full passthrough to current CalWORKs families as part of the May Revision.

New Language Would Be Needed to Direct Future Determination. Should the Legislature wish to continue to prioritize implementation of a full passthrough to current CalWORKs families in future budget years, new budget language would be needed to provide that direction to the administration. The current statute becomes inoperative July 1, 2024.

Forthcoming Report May Illuminate Additional Areas for Consideration. As noted, in April 2024, DSS and DCSS are required to submit a report to the Legislature on unintended consequences of implementing the full passthrough to current CalWORKs families. Depending on the report's findings and suggested mitigation strategies, the Legislature may wish to take additional steps in advance of potential future implementation of the passthrough, to help ensure that the goal of financially bolstering low-income families receiving CalWORKs assistance is met.

If Passthrough to Former CalWORKs Families Does Not Occur in May, Some Additional General Fund Revenues Would Accrue. Although the administration currently estimates necessary automation updates will be completed this spring, there previously have been delays to the implementation timeline. Ultimately, should additional time be required for automation, these further delays would mean former CalWORKs families would wait longer to begin receiving the full passthrough, but also would result in increased General Fund revenues for that time.

Staff Comments

Staff Recommendation: Hold open.

Issue 15: Governor's Trailer Bill Proposal for Child Support Payment Trust Fund Overpayment

The department submitted trailer bill language and budget bill language proposals to address unfunded overpayments within the Child Support Payment Trust Fund (CSPTF) and make sure that child support disbursements occur within federally mandated timeframes. Prior to the establishment of DCSS, LCSAs operated under their local District Attorney and individually carried an unfunded balance of child support overpayments. Upon establishment of DCSS and creation of the CSPTF, the state absorbed these liabilities. Overpayments occur from various actions such as, but not limited to, payment processing errors and fraudulent payments. Over the last 20 years the growth in balance of overpayments has slowed due to the department's mitigation efforts. The proposed trailer bill language would give the department statutory authority to send notification letters to parents who received an overpayment providing an opportunity to return the overpayment or decline to return the payment. For unrecoverable overpayments, and after Department of Finance approval, DCSS would utilize up to $500,000 in savings from the existing budget appropriation annually to offset the unrecovered funds and mitigate the growth of the overpayment balance. Without the authority, the CSPTF may have inadequate funds to disburse child support payments timely and cause DCSS to incur federal penalties for violating federally mandated payment processing timeframes.

Proposal. DCSS requests statutory authority to implement overpayment recovery procedures that would allow the department to offset overpayments with future collections and offset unrecoverable overpayments.

Background. Family Code section 17311 established the Child Support Payment Trust Fund to deposit child support payments received by the State Disbursement Unit (SDU) for processing and providing child support payments to the parent receiving support (PRS). The collections are received from various sources for court-ordered child support obligations, most notably: wage assignments, direct payments from persons ordered to pay support, and intercepts of IRS refunds. To perform these functions, the Child Support Payment Trust Fund must maintain an adequate balance of funds to disburse collections within the federally mandated two-day disbursement timeframe. As part of child support casework and payment processing, situations arise that can result in overpayments of support to case participants.

These circumstances include, but are not limited to:

- IRS negative adjustment due to amended tax returns resulting from injured spouse claims or other adjustments outside of DCSS's control.
- Payments inadvertently applied to the wrong case or participant.
- Payments collected and disbursed in excess of the child support order.
- Credit card chargebacks received after disbursement of funds.

- Errors for which the SDU vendor is not responsible, e.g., SDU used proper participant identifiers, but misidentification still occurred.

- Collections dishonored by the bank resulting in unfunded collections.

Since the transition to a single statewide payment processor and Child Support Enforcement (CSE) in 2008, the amount of undistributed collections has grown. This is due to the lack of a recovery mechanism, which has resulted in a growing balance of overpayments each year. This situation poses a risk to DCSS's ability to meet existing service levels and the federally mandated two-day disbursement timeframes under Federal Title IV-D of the Social Security Act (Sec. 454B. [42 U.S.C. 654b]). Failure to maintain these minimum federal standards provided in Federal Title IV-D of the Social Security Act (Sec. 455. [42 U.S.C. §655]) jeopardizes the continued receipt of federal funding for the program.

The statutory authority would authorize DCSS to implement procedures for offset of overpayments with future collections. The proposed statutory authority would allow DCSS to recover overpayments in a similar manner to other California departments that disburse payments. For example, Welfare and Institutions Code section 11004 provides the California Department of Social Services authority to recover overpayments of CalWORKs benefits and set relevant thresholds for recovery based on its determinations of cost effectiveness.

DCSS will implement the recovery process by sending up to three (3) letters providing standardized repayment options, entering elected repayment terms in CSE for automated recovery, and establishing terms by default consent when no response is received as advised in Federal PIQ-02-01. By establishing default repayment terms, the department can make sure that child support overpayments are recovered, even when the PRS does not actively engage with the recovery process.

Each letter shall formally notify the issue of overpayment and clearly communicate the intent to recover child support overpayments to the PRS and provide standardized repayment options. By empowering the PRS to elect repayment terms, and DCSS the ability to enter elections into CSE, DCSS can automate the recovery process to make sure that child support overpayments are collected timely while mitigating the financial impact to the PRS.

The PRS will also be given the option to elect that they do not wish to repay the overpayment, in which case DCSS will flag the overpayment as unrecoverable. This option seeks to minimize impacts to disadvantaged racial and socioeconomic populations.

Fiscal Impact. DCSS would absorb costs associated with recovering overpayments. The estimated annual noticing cost to send three letters is around $4,482, based on an average of 1,800 new overpayments per year.

Panel

Question for the Panel:

◊ Please explain the trailer bill proposal.

- David Kilgore, Director, Department of Child Support Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Angela Short, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO has provided the following information for this subject.

[The LAO is] currently working to better understand the Child Support Trust Fund challenges caused by overpayments. In evaluating this proposal, some key questions the Legislature may wish to ask the administration include:

- Are there administration or enforcement costs associated with efforts to recover overpayments? What are those costs?

- What data are available on the reasons for overpayments?

- Are there efforts in place to try to limit overpayments before they occur? What are those efforts?

- If recipients of overpayments are not able to remit those funds, how will DCSS address any remaining shortfall in the Trust Fund?

Staff Comments

Staff Recommendation: Hold open.

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