

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

Assemblymember Hector De La Torre, Chair

SELECT COMMITTEE ON FOSTER CARE

Assemblymember Karen Bass, Chair

WEDNESDAY, MARCH 15, 2005, 1:30PM

STATE CAPITOL, ROOM 444

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ITEMS FOR CONSENT

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

CONSENT ISSUE #1: FOSTER CARE CHILD RELATIONSHIP FUNDING

The Governor's budget includes a total of \$23 million (\$10 million General Fund) for the Foster Care Child Relationships Program.

BACKGROUND:

The Governor's budget includes a total of \$23 million (\$10 million General Fund) for the Foster Care Child Relationships Program. This program was established by AB 408 (Steinberg), Chapter 813/2003 to help ensure that older foster youth develop significant and supportive relationships prior to their emancipation. The current year funding level for this program is \$5.2 million (\$2.3 million General Fund). The additional funding included in the budget would be used to fund AB 1412 (Leno), Ch. 640/2005, which expands the number of children covered by this program, and ensures that developmentally appropriate children are involved in the development of their case plan, help plan for permanent placement, and that children 12 and older review their case plan and receive a copy.

STAFF COMMENT:

The budget also proposes to delay implementation of AB 1412 from January 1, 2006 to July 1, 2006.

CONSENT ACTION:

Approve as budgeted.

CONSENT ISSUE #2: INFANT FOSTER CARE RATE

The Governor's budget proposed \$611,000 (\$148,000 General Fund) in the current year and \$1.2 million (\$296,000 General Fund) in the budget year to fund a special Foster Care rate for teen mothers who are in foster care placement with their children.

BACKGROUND:

The Governor's budget proposes \$611,000 (\$148,000 General Fund) in the current year and \$1.2 million (\$296,000 General Fund) in the budget year to fund a special Foster Care rate for teen mothers who are in foster care placement with their children. This rate, established by SB 500 (Kuehl), Chapter 630 of 2005, provides a \$200 monthly

payment above the current infant supplement for the added care and supervision provided by the foster caregiver to the teen parent and child. An estimated 408 teen mothers are in foster care placement with their children.

STAFF COMMENT:

None.

CONSENT ACTION:

Approve as budgeted.

ITEM TO BE HEARD

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #1: UPDATE ON STATE EFFORTS TO IMPROVE PERFORMANCE ON MEETING FEDERAL STANDARDS

The Subcommittee will receive an update on the State's performance on federal measures and the potential fiscal penalties that could result.

BACKGROUND:

In the mid-1990's, a package of new federal legislation made sweeping changes to state child welfare services and foster care programs. The principles of these reforms were to achieve child safety, permanency, and well-being. One significant requirement was that the federal Department of Health and Human Services developed a set of outcome measures and overhauled the state performance review processes in the child welfare services and foster care programs. Toward that end, the federal government developed the Child and Family Service Reviews, which has been conducted for the last two years. The reviews include seven measures for safety, well-being, and permanency. They also cover seven systemic measures that examine training for foster parents and caseworkers, the status of the statewide data system, the quality assurance process, and the state's case review system.

In 2002, the federal Administration for Children and Families (ACF) conducted a performance review of California's child welfare system for the first time. The performance review, referred to as the Federal Child and Family Services Review, included two broad sets of evaluation criteria. Both sets of criteria contained seven separate subareas for review. The first part of the review, referred to as "systemic," focused on factors such as training, statewide data collection, and the state's quality assurance processes. The second part of the review focused on seven measurable outcomes within three broad areas: safety, well-being, and permanency of children involved in the system. In 2002, California passed two of the seven systemic factors and failed all seven of the outcome measures pertaining to child safety, well-being, and permanency. As a result, the state was required to develop and implement a Performance Improvement Plan (PIP) in order to avoid penalties in the form of reductions in federal funding.

Although final federal review will not occur until 2007, the LAO compiled outcome data for California based on the most recent information available. Figure 1 shows the state's standing as of January 2006 with respect to the seven outcome measures. Child safety outcomes focus on the protection of children from abuse in either out-of-home care or if they remain in their homes. Permanency outcomes measure the state's success at providing stability to children in foster care and providing a permanent resolution for children when they cannot return home. Finally, the well-being outcomes seek to

measure other issues that affect children in the child welfare system such as educational, physical, and mental health needs, and connections to their family and communities. Each outcome may contain a number of sub-goals, all of which must be met in order to receive a “passing” grade for the measure. Current results show that the state, though improving in some areas, has not yet fully passed any of these outcome measures.

Figure 1			
California’s Performance Improvement Status			
<i>As Reported January 2006^a</i>			
Performance Outcomes	Goal	Results	Status
Safety			
(1) Children are protected from abuse and neglect (two goals)			Failing
➤ Children with incidence of repeat maltreatment	8.8% or less	8.7%	Passing
➤ Maltreatment of children in foster care	0.74% or less	0.78%	Failing
(2) Children are safely maintained in homes whenever possible and appropriate			Failing
➤ Recurrence of abuse for children who remain in their homes	21% or less	22.6%	Failing
Permanency			
(3) Children have permanency and stability in their living situations (six goals)			Failing
➤ Children who reenter foster care after exit	9.4% or less	10.1%	Failing
➤ Children/family reunified within 12 months	57.2% or more	68.2%	Passing
➤ Children adopted within 24 months	20.9% or more	29.3%	Passing
➤ Children with no more than two foster care placements in 12 months	86.7% or more	85.2%	Failing
➤ Timely establishment of permanency goals	70.4% or more	74.3%	Passing
➤ Proportion of children with goal of long-term foster care	31.3 % or less	31.3%	Passing
Well-Being			
(4) Children whose family relationships and connections are preserved	92.3% or more	90.5%	Failing
(5) Families have enhanced capacity to provide for their children's needs	Improve by 3%	__b	Failing
(6) Children receive appropriate services to meet their educational needs	Improve by 3%	__b	Failing
(7) Children receive adequate services to meet their physical and mental health needs	Improve by 3%	__b	Failing

- a Based on data from October through December 2005.
- b The state is failing outcomes 5 through 7 because it has only met 3 of 12 sub goals for these measures.

FEDERAL PENALTIES FOR FAILURE TO MEET PERFORMANCE PENDING:

As of July 2005, the federal funding penalty for the current level of performance is \$42 million. However, penalties will continue to accumulate until ACF's final review of the state's data in April 2007, adding approximately \$17 million if no additional outcomes are met, resulting in a total penalty of about \$59 million. If, at that time, the state successfully meets any of the seven outcomes, the penalty would decrease accordingly.

The PIP outlined the degree of improvement that the state needed to achieve in order to avoid penalties, as well as a number of action steps that the state was required to take. The federal penalties are assessed based on whether the state meets its goal for each outcome. For each outcome not met, a penalty of 1 percent is assessed on a portion of the state's federal fund allocation. This penalty formula is applied to each year's federal funding, beginning with federal fiscal year 2002. Because the state has negotiated a PIP, the federal government holds these penalties in abeyance until a final review of the state's progress, however they continue to accumulate for each year. At the time this analysis was prepared, the state still had not met seven outcome measures.

AB 636 STATE MEASURES:

In 2001, AB 636 created a system for measuring the federal measures within each county. However, child welfare advocates found that in some cases the federal measures did not provide the right incentives for counties to really protect and nurture foster children. As a result, a substantial list of state measures were added to the list of performance measures included in AB 636.

STAFF COMMENT:

While federal penalties motivate the State to address federal performance measures, the legislature created state measures to reflect the goals California has set for improving our system. While addressing the federal performance goals, the state should ensure that it does not hinder its progress on its own goals. The Legislature will need to weigh the priority of meeting federal performance to avoid fiscal sanctions against the priority of meeting our own state's vision of the program.

ISSUE #2: OVERVIEW OF CHILD WELFARE, FOSTER CARE, AND ADOPTIONS CASELOADS
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The Subcommittee will discuss recent caseload trends.

BACKGROUND:

Child Welfare

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. These services include:

1. **Emergency Response Assessment**—the initial reports of abuse made to county welfare departments that do not result in an investigation.
2. **Emergency Response**—investigations of cases where there is sufficient evidence to suspect that a child is being abused or neglected.
3. **Family Maintenance**—a child is allowed to remain in the home and social workers provide services to prevent or remedy abuse or neglect.
4. **Family Reunification**—a child is placed in foster care and services are provided to the family with the goal of ultimately returning the child to the home.
5. **Permanent Placement**—permanency services provided to a child that is placed in foster care and is unable to return home.

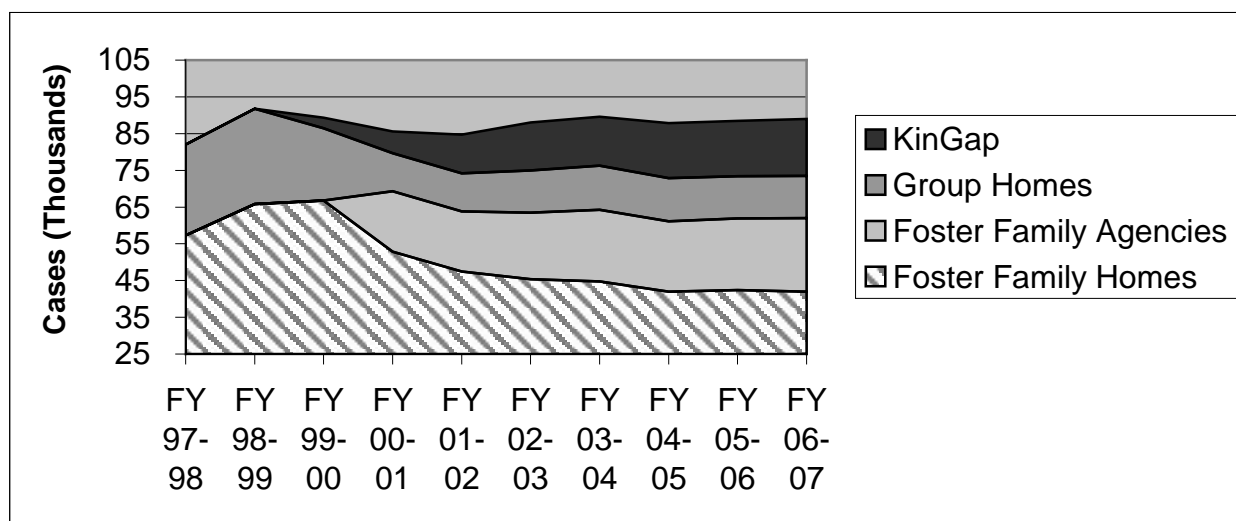
Average Monthly CWS Caseload by Component 2005-06		
	Cases	
	Number	Percent
Emergency Response Assessment	17,137	10%
Emergency Response	42,776	26
Family Maintenance	25,424	15
Family Reunification	23,566	14
Permanent Placement	55,498	34
Totals	164,401	100%
Detail may not total due to rounding.		

Foster Care

The State has four major foster care placements:

Foster Care Placements	
Placement Type	Description
Foster Family Homes	<ul style="list-style-type: none"> ◆ A residential facility that serves no more than six foster children. ◆ Provides 24-hour care and supervision in a licensee’s home. ◆ Foster care grant may be supplemented for care of children with special needs.
Foster Family Agency Homes	<ul style="list-style-type: none"> ◆ Homes operating under nonprofit foster family agencies which provide professional support. ◆ These placements are required by law to serve as an alternative to group home placement.
Group Homes	<ul style="list-style-type: none"> ◆ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children. ◆ Generally serve children with more severe emotional or behavioral problems who require a more restrictive environment.
Kin-Gap	<ul style="list-style-type: none"> ◆ Considered an exit to the foster care system. ◆ Provides support to children in long-term stable placements with relatives. ◆ Relatives are expected to provide 24-hour care and supervision. ◆ No supplemental payments for children with special needs. ◆ Funded with Federal TANF/ State TANFMOE General Fund.

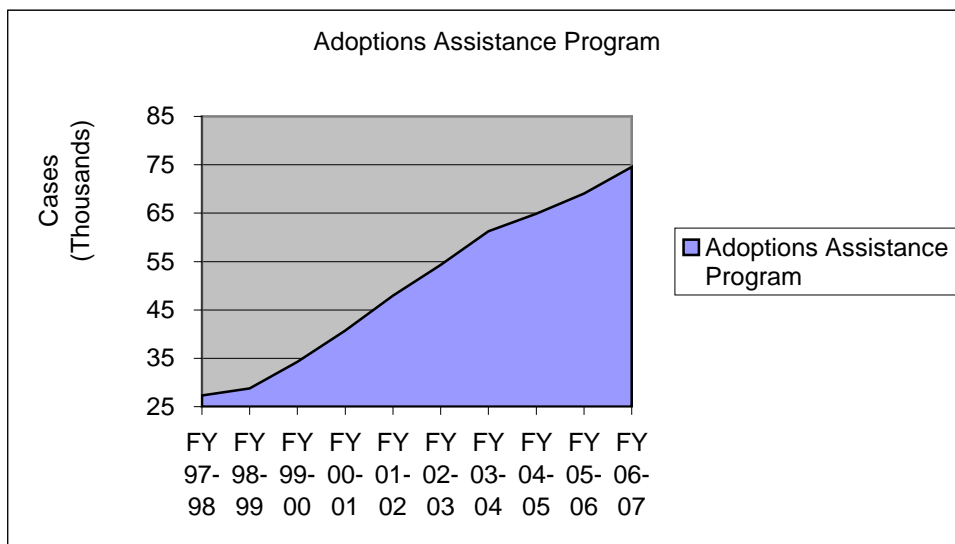
In the last ten years there have been some dramatic changes to Foster Care placements. Group Home placements and Foster Family Home placements have declined while the Kin-Gap Program has grown since being established in 1999.



Note: Foster Family Agency caseload was reported as Foster Family Home Caseload before 2000.

Adoptions Assistance Program

The state’s adoptions programs include the Adoptions Assistance Program (AAP) as well as other state and county efforts to improve permanency outcomes for foster children. The AAP provides subsidies to promote permanent placement of children that are older, members of sibling groups, have disabilities, or are otherwise difficult to place. Budget year AAP caseload is expected to be 75,000, an increase of 7.9 percent over current year. Total funding for AAP and other adoptions programs increased by 8.8 percent, to \$775 million (\$348 million General Fund).



LAO FINDS FOSTER CARE CASELOAD OVERSTATED:

The LAO recommends that proposed General Fund spending for Foster Care grants be reduced by \$1.4 million for 2005-06 and \$3.9 million for 2006-07 and that the foster care administrative funding be reduced by \$220,000 in 2006-07 because the caseload projections overestimate the number of children in foster family agency homes

The Foster Family Agency (FFA) caseload is made up of children who have been placed in a certified foster family home that is overseen by the FFA. Generally, these children need slightly more intensive services than children placed in a licensed foster family home. This is a more expensive placement than foster family homes but considerably less expensive than group homes. For 2005-06 and 2006-07, the department is estimating that the average monthly FFA grant will be about \$1,700 per child.

The FFA caseload has increased slightly in recent years, with an increase of 1.4 percent in 2003-04 and 1.3 percent in 2004-05. Contrary to this two-year trend, the

department has estimated that FFA cases will increase by 3 percent in the current year and 2.6 percent in the budget year. The department was unable to provide evidence to suggest that the FFA caseload will experience a doubling of its recent growth rate. Based on recent caseload trends, the LAO estimates that the caseload will increase by 1.5 percent in 2005-06 and 2006-07. Based on our caseload estimates, General Fund spending for FFA cases is overstated by \$1.4 million General Fund in the current year and \$3.9 million in the budget year. Accordingly, the LAO recommends reducing the budget by \$3.9 million in 2006-07 and recognizing savings of \$1.4 million for 2005-06. The LAO further recommend a corresponding General Fund administrative reduction of \$220,000 for 2006-07.

STAFF COMMENT:

Most caseload reductions like this one are adjusted in the May Revision by the Department of Finance. However the Subcommittee may wish to appropriate the corresponding savings for different priorities that the Department of Finance and earmark the savings before the May Revision.

ISSUE #3: FUNDING FOR SELF IMPROVEMENT PLANS

Last year the Governor reduced funding for Self Improvement Plans.

SELF IMPROVEMENT PLANS:

In 2001, AB 636 (Steinberg) created an outcome system to align state performance outcomes with the federal performance outcomes described earlier. The implementation of this system began in 2004 when counties examined their performance data, met with their communities, and developed Self Improvement Plans (SIPs). These SIPs, like the state's Performance Improvement Plan (PIP), identify the level of improvement counties anticipate making on outcomes, and their action plans to make the improvements. Counties receive quarterly reports from the Department of Social Services (DSS), in order to monitor their progress on outcomes and adjust their approaches accordingly. (The state contracts with UC Berkeley to compile data by county for each outcome measure.)

Funding to implement changes outlined in SIPs began in the current year, when the state made \$12.8 million available through a grant process, for counties to execute performance improvement strategies. The DSS has requested reports on the interim results of this funding from the counties in April of 2006. 38 counties received funds for various strategies, many of which are closely modeled on the System Improvement Pilot activities.

GOVERNOR VETOED FUNDING FOR SELF IMPROVEMENT PLANS:

Governor vetoed \$5,500,000 (\$3,400,000 General Fund) for the Child Welfare Services (CWS) Outcome Improvement Project provided by the Legislature in the FY 05-06 Budget.

According to the Veto Message of SB 77:

The May Revision included a comprehensive funding package that provides sufficient resources to support ongoing CWS Program Improvement Plan initiatives, fund implementation of county System Improvement Plans, and improve outcomes for children in 2005-06. The legislative augmentation exceeds the level of funding that is necessary to implement approved CWS program improvement initiatives and strategies, achieve compliance with federal performance requirements, and avoid federal penalties.

The additional funding was actually maintaining the level of funding for the Child Welfare Redesign in contained in the January FY 05-06 Budget. The Administration proposed reducing these funds as part of the FY 05-06 May Revision, which was rejected by the Subcommittee.

UNFUNDED SELF IMPROVEMENT PLANS:

CWDA has provided the committee with a survey of SIP's submitted by counties that were not funded last year:

COUNTY	Proposal	Amount not Funded
Alameda	Expand Group Home Step-up Project	\$1,330,000
Fresno	Expand & Train Quality Assurance staff	\$44,787
Fresno	Initiate CWLA Accreditation Process	\$15,000
Imperial	Coordinated Parent Project	\$1,000,000
Merced	Pre-emptive service delivery through eligibility intake function	\$236,000
Merced	Increase Foster Parent Training Course to 80 Hours	\$59,000
Merced	Mentor program to keep children in home	\$45,000
Merced	Implement Pre-placement Assessment Program	\$65,000
Merced	Community Needs Survey	\$10,000
Merced	Community Child Abuse Reporting Program	\$70,000
Nevada	Targeted Social Worker Training	\$10,000
Nevada	Increase Social Work Supervision	\$95,410
Nevada	Health and Education Passport Data	\$25,000
Nevada	Peer Quality Case Review	\$24,200
San Benito	Expedited Data Entry	\$3,000
San Joaquin	Foster Parent/Adoption Recruitment	\$72,500
Santa Barbara	Expand TDM with MDT services	\$205,000
Santa Barbara	Emancipation Support (CWS and Probation)	\$70,000
Santa Clara	Foster Care Respite Care Program	\$25,000
Sonoma	Foster Care Respite Care Program	\$64,500
Yolo	Dependency Court Process Facilitation	\$45,800
Grand Total		\$3,515,197

CWDA believes that in FY 06-07 over \$5 million in additional county requests will be provided. The counties are requesting that the legislature increase the funding for the program so that counties have the funding to improve their performance.

LAO RECOMMENDS REDIRECTING GOVERNOR'S ADDITIONAL FUNDING FOR ADOPTION AND KSSP TO SIP:

The LAO recommends that \$15 million (\$9.6 General Fund), designated for improving adoptions outcomes and increasing kinship support services, be redirected into flexible grants to continue support for county self-improvement strategies, pursuant to this AB 636 system. Although the LAO thinks providing additional resources for adoptions and kinship services has merit, they believe that the Governor's proposal represents a "one size fits all" approach. LAO believes that counties, rather than the state, are in the best position to allocate resources among various CWS improvement strategies. Counties have analyzed outcomes and developed improvement goals. Some counties may choose to focus on adoptions while others may choose strategies such as foster home recruitment or developing networks of community services.

STAFF COMMENT:

Since performance varies so much by county, providing counties flexible funding allows them to address their performance issues.

The budget also includes funding for 11 counties that participate in a pilot child welfare redesign, also called the System Improvement Plans. DSS will report data on the performance of this pilot project during Open Issues hearings later this year.

ISSUE #4: UPDATE ON CASELOAD STANDARDS

The Subcommittee will review the State's progress in meeting in caseload standards.

BACKGROUND:

In 1998, SB 2030 (Costa) Chapter 785/1998, required the Department of Social Services to commission a study of the counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the State and federal governments. These findings and the minimal and optimal social worker standards proposed by the report (see chart below), have dominated budget discussions regarding staffing standards since the report's release. However, due to the State's budget shortfalls, the department has continued to use the 1984 workload standards, instead of the minimal and optimal standards, as the basis for allocating funds to counties for child welfare services staff.

The continued use of the 1984 workload standard to determine the CWS "base line" funding amount, however, does not mean that the state has not improved social worker caseload staffing ratios. Several funding policies, and one estimating error, have moved California considerably closer to the SB 2030 standards and that gap continues to shrink every year.

LAO RECOMMENDATION:

Last year, the LAO recommended that the Legislature should be informed of the progress that is being made toward reducing social worker caseloads and the steady movement toward the SB 2030 recommendations. Toward this end, they recommend enactment of legislation that requires DSS to submit a county specific social worker staffing ratio report annually.

STAFF COMMENT:

Other states, like New Jersey, have settled lawsuits with an advocacy group that will result in a massive overhaul of their child welfare system. The settlement in New Jersey would result in a staffing level that is similar to the levels recommended in SB 2030. Although California lacks funding at this point to achieve the level of staffing recommended in this study, it is important to understand that other States are considering staffing levels similar to those recommended in the SB 2030 study.

The LAO figures do not adjust for costs of doing business, inflation, or new mandated activities. As a result the actual level of staffing for the various components of SB 2030 would be lower than portrayed in the LAO analysis.

The State is piloting differential response programs where social workers target families at risk of entering the child protection system with services and case management to keep them stable. Since these families may never enter the child protection system, the state may need to redefine a "case" at some point to capture workload needs for prevention activities.

The Governor's Budget includes Trailer Bill Language to essentially end cost of doing business adjustments on child welfare caseload funding. If adopted, this change would also undermine the adequacy of administrative funding for child welfare.

ISSUE #5: IMPACT OF FEDERAL CHANGES ON FOSTER CARE IN CALIFORNIA

The recent federal Deficit Reduction Act made several changes to the foster care system.

BACKGROUND:

In February 2006, the President signed the Deficit Reduction Act of 2005, which contains numerous reductions to human services, including foster care and child welfare.

The federal changes would result in \$20 million in lost ongoing federal funds and \$10 million in new on-time funding. The change:

- Places limits on the claiming of federal administrative funds for children placed in ineligible facilities, such as those residing in unlicensed relative homes, detention centers, or hospitals. Currently, the state may receive federal reimbursement for certain administrative costs while children are in these settings. The LAO estimates that this would result in \$15-\$20 million in lost federal funds annually.
- Increases funding for child abuse prevention (Safe and Stable Families Funds) and juvenile court improvements. The LAO estimates that this would result in \$10 million in additional federal funds annually.
- Reverses the *Rosales* decision, which extended federal Title IV-E eligibility to approximately 5,000 grandparents and relatives. The shift of these cases back to CalWORKs or State Foster Care while holding them harmless for the change would cost \$2 million in FY 06-07.
- Restricts access to Medicaid Targeted Case Management (TCM services for children in foster care).

DSS reports that the State's current approval process for relative homes is sufficient to meet the federal licensing requirements to claim administrative funding.

STAFF COMMENT:

PSSF funding has four allowable uses: Family Preservation, Family Supportive Services, Adoptions Promotion and Support, and Time-Limited Family Reunification. At least 20 percent of the funding provided to the State must be used for each of these purposes. The State has traditionally allocated 85 percent of this funding to the counties and kept 15 percent of the funding for State initiatives. The Subcommittee could consider appropriating the new funding to address priority issues in the child welfare and foster care.

ISSUE #6: FEDERAL IV-E DISALLOWANCES

The federal government has recently denied some of California's expenditures claimed for foster care and is asking for 9 positions to improve the State's claiming process.

BACKGROUND:

The Governor's budget requests \$25.3 million General Fund in the current year and \$8.4 million General Fund in the budget year to backfill a \$33.8 million Title VI-E federal funding disallowance for Foster Care for calendar year 2003. The budget also proposes to shift a combined total of \$58 million in current and budget year TANF funding from CalWORKs to the CWS-Emergency Assistance Program, to backfill a Title IV-E federal funding disallowance. The Emergency Assistance Program provides emergency shelter care, crisis resolution, emergency response, and case management for children at risk due to abuse, neglect, abandonment, or exploitation.

The Governor's budget also requests \$793,000 (\$397,000 General Fund) for nine positions to ensure that federal IV-E funding for Foster Care relative placements is being accurately claimed. As noted above, Title IV-E funding is limited to children whose families meet the 1996 ADFC income limits. Since only a portion of California's foster care, adoptions, and child welfare caseload qualifies for IV-E funding, counties must determine which cases qualify, and submit their claims for state and federal review. Inaccurate claiming has resulted in the disallowance of \$45 million in IV-E funds for 2002, \$34 million for 2003, and the potential for up to \$100 million in 2000-01.

The 9 DSS positions would also be used for compliance with the *Higgins v. Saenz* stipulated agreement and a corrective action agreement with the federal Administration for Children and Families, which require the department to demonstrate that children are placed in relative homes that meet the safety standards for approval and that these homes are properly entitled to receipt of federal funds. In spring 2006, the department will begin reviewing calendar year 2004 foster care claims for compliance with *Higgins* and the corrective action agreement.

TANF TRANSFERRED TO BACKFILL LOST FEDERAL FUNDS:

The budget also proposes to shift a combined total of \$58 million in current and budget year TANF funding from CalWORKs to the CWS-Emergency Assistance Program, to backfill a Title IV-E federal funding disallowance. The Emergency Assistance Program provides emergency shelter care, crisis resolution, emergency response, and case management.

STAFF COMMENT:

Given TANF reauthorization, the use of additional TANF funding for backfilling disallowances could impact the amount of funding available for the CalWORKs program.

ISSUE #7: SERVICES AVAILABLE FOR KINSHIP CARE AND KINSHIP SUPPORT

The Subcommittee will explore the important role kin play in providing care to foster youth.

BACKGROUND:

Although kin are an increasingly important part of the care of foster children; the Kin-GAP program offers different levels of service from Foster Family Homes and the Adoptions Assistance Program (AAP).

Type of Service	Foster Care Homes	Kin-GAP	AAP
Average Grant Level (Includes specialized care payments)	682.00	515.65	754.41
Clothing Allowance	Typically \$100 per year—Varies in some counties by age.	None	None
Specialized Care Payments	Varies by County	None	Yes— Same as Foster Care Payment Rate
Supportive Services (Child Care, Respite, Others)	Varies by County	Only in KSSP Counties	Provided by Some Counties
Social Work Case Management	Required	Only in KSSP Counties	None
Court Requirements	Must attend court every 6 months	None	None

KSSP INCREASED IN BUDGET:

The Governor's budget proposes to increase kinship support funding by \$2.5 million to a total of \$4 million. Kinship support is provided to relatives caring for foster children and typically includes services such as respite care; mentoring/tutoring; or assistance with furniture, clothing, food, or transportation. Eleven counties currently operate kinship support service programs. The additional \$2.5 million would be available to these counties as well as other counties who wish to offer this service.

The kinship support services proposal also includes Trailer Bill Language that requires that counties provide outcome improvement goals in order to receive grants. The LAO points out that counties have already set improvement goals in their SIPs as part of the AB 636 system requirements. Since these detailed plans are approved by the administration, it is not necessary to require counties to establish additional goals and provide measurement data outside of the existing accountability system.

STAFF COMMENT:

The existing KSSP programs have been known to be very effective at leveraging their funding to expand the program beyond the State contribution. The additional funding would likely be amplified by the financial leveraging that characterizes KSSP programs.

ISSUE #8: ADOPTIONS INITIATIVE AND ADOPTIONS ASSISTANCE TRAINING**BACKGROUND:**

The Governor's budget proposes a total of \$12.2 million (\$7.1 million General Fund) to hire additional state and county adoptions caseworkers. The additional staff are expected to increase adoptions by 560 in 2006-07. The funding includes \$1.4 million (\$698,000 General Fund) for 16.5 DSS positions in the Adoptions Services Bureau, which serves a 28-county service area. The funding also includes \$10.8 million (\$6.4 million General Fund) for local assistance to reflect a 15.6 percent increase in county adoptions caseworkers, offset by minor adjustments in Foster Care and AAP costs. DSS projects that the additional funds for adoptions will generate \$5.1 million General Fund savings

LAO RECOMMENDATION:

The LAO points out that current data indicate that reducing the length of time for adoption is an area in which the state has successfully improved its performance. Specifically, the state has increased the percentage of adoptions occurring within 24 months, to 29 percent, up from 18 at the start of the PIP. Given the recent improvement in meeting both state and federal adoption outcomes, the LAO believes that directing funds to this area is not the best use of resources.

ALLIANCE RECOMMENDATION:

The California Alliance for Child and Family Services supports the additional adoptions funding but would like to increase the Private Adoption Agency Reimbursement Program (PAARP) payment made to private adoption agencies for the costs of facilitating the adoption of special needs children; it has been frozen at \$5,000 since 1999-2000.

ADOPTIONS ASSISTANCE TRAINING:

The Adoptions Assistance Program (AAP) was established in 1982 to provide monthly cash grants to parents who adopt difficult to place children. Adoption Assistance grants are limited to the amount of the foster family home rate that the child would have received if she or he had remained in foster care. The foster family home rate ranges from \$425 to \$597 per month depending on the age of the child. Also, if the child has specialized care needs that would have been covered had the child remained in foster care, the adoptions worker can set the grant as high as the foster family home rate plus

a specialized care increment. This increment can range up to \$2,097 per month. As with foster care grants, the AAP grants are not subject to state or federal income tax.

During the FY 04-05 budget process, the LAO recommended changes to the AAP program, mostly as a result of the large growth in caseload and expenditures in the program.

In response, the Subcommittee directed AAP advocates and programs to examine possible strategies for reducing the growth of the AAP program. Sierra Adoptions has provided the Subcommittee with a proposal that is intended to improve the AAP program's integrity. Last year, the Subcommittee approved \$100,000 to perform Adoptions Assistance Training that was vetoed by the Governor. The Governor's Veto message stated:

Similarly, the legislative augmentation for AAP training is unnecessary as the DSS intends to increase efforts in 2005-06 to provide training and technical assistance to county social workers regarding the eligibility determination process for the AAP within existing resources.

DSS comments that the department has conduct two rounds of AAP training in the last year and has covered most of the State's caseworkers.

PROPOSED AAP TRAINING:

The proposal would allocate \$100,000 General Fund to provide training to county staff administering the AAP program. The intent of the training is to standardize the administration of the program, which would help control the increasing utilization of it.

The proponents of the training believe that it could result in at least \$87,000 in General Fund savings from lower grant levels and reduced utilization of the program.

STAFF COMMENT:

The State has previously experienced a great deal of success in improving adoption placements through similar efforts in recent years.

ISSUE #9: SERVICES FOR EMANCIPATED FOSTER YOUTH

Although the State has a number of programs for emancipating foster youth, many of these programs are not statewide and have received less funding than in the past.

BACKGROUND:

Every year about 4,000 youth emancipate from the Foster Care system and are no longer wards of the State. Many of these youth must transition into adulthood without the support and life skills needed for success. As a result many of these encounter poor outcomes in adulthood. A Health and Human Services study found that after emancipation:

- 51 percent of were unemployed
- 40 received public assistance
- Up to 40 percent were homeless

The State has three programs that target emancipating foster youth: Independent Living Skills Program, the Transitional Housing Placement Program, and the Supportive Transitional Emancipation Program.

Currently youth can continue to receive foster care services until they reach adulthood, although the cut off is 19 years old for youth attending high school. Youth can receive ILP services until they are 21 years old.

INDEPENDENT LIVING SKILLS PROGRAM:

Services offered youth under the ILP include: independent living skills classes providing youth with knowledge about securing a job, money management, making decisions and choices, and building self-esteem; skills training; financial assistance with college or vocational schools. The Governor's budget proposes \$38.6 million for ILP in the budget year, an \$800,000 decrease from the current year budget.

Since 2001-02, federal funding for ILP has been reduced by \$6.8 million. Prior to FY 1999-00 funding for ILP was allocated on a per youth basis; since then, DSS has held the State General Fund portion of the ILP allocation flat, and any funding increase or decrease was derived from changes in the federal amount of funding. The result has been a continuous erosion of funding per youth over time, clearly moving in the opposite direction when it comes to services to support emancipating foster youth.

CWDA has requested that funding for ILP General Fund allocation be increased by at least an additional \$15 million to \$54 million to restore funding for the program at the 2000 year level of service for foster youth.

TRANSITIONAL HOUSING PLACEMENT PROGRAM:

The Governor's budget proposes an additional \$1 million General Fund to augment the Transitional Housing Placement Program (THPP), established under AB 1119 (Migden), Ch. 639/2002. This funding will allow more counties to participate in THPP, which provides housing assistance to emancipating foster youth.

County participation in THPP has been hindered by the expensive county share in the program. The county share for this program is 60 percent.

SUPPORTIVE TRANSITIONAL EMANCIPATION PROGRAM:

The Supportive Transitional Emancipation Program (STEP) was created in 2001 to provide financial support to former foster youth that are in education and training programs. The program continues to provide a foster care grant to the youth up to age 21 that are either attending school or in training as part of their Transitional Independence Living Plan (TILP).

Currently no county participates in STEP, in part due to the 60 percent match required by the program. In addition, STEP is currently an entitlement, which hinders the ability of each county to control the costs of the program.

ISSUE #10: FEDERAL IV-E WAIVER UPDATE

The Subcommittee will hear an update on the progress of the IV-E Waiver and discuss the administration's request to extend four positions.

BACKGROUND:

The federal government has approved Child Welfare Demonstration Projects to test new approaches to the delivery and financing of child welfare services in order to improve outcomes for children. The projects, which involve waivers of certain provisions of Title IV-E of the Social Security Act and related regulations, provide states with greater flexibility to use Title IV-E funds for services that can foster improved safety, permanency and well-being for children. Since 1996, 17 states have implemented 25 child welfare Waiver demonstration project components through 20 Title IV-E Waiver agreements. The authority for this waiver expires March 31, 2006.

During 1999, California received a five-year Title IV-E waiver for seven counties (Fresno, Riverside, Alameda, Humboldt, Los Angeles, Sacramento, and San Luis Obispo) to develop their own intensive service programs to prevent out-of-home placement. The waiver funded strengths-based service models include Family Conferencing, implemented in two counties, and Wraparound Services, implemented in five counties. It served eligible children at risk of placement and those in out-of-home placement and moving toward the goals of reunification, adoption, or guardianship. Counties participating in the Wraparound Services component have developed a tracking tool to quantify the provision of wraparound services and to minimize data contamination. In counties implementing Family Conferencing, participants noted that high levels of collaboration and inclusion of all individuals are important aspects of the decision-making and planning effort. Most participants believe family problems are being addressed in the family conferences.

The evaluation of the first IV-E waiver was released in September 2004. Data from demonstration projects suggest that neither method had much of an effect on the overall health, safety or permanency of children. The evaluators did not find Family Conferencing to be effective in the demonstration projects. Although there was evidence of improved collaboration with families in the initial phases of involvement, Family Conferencing did not seem to maintain the family's involvement with services beyond the initial conference plan. The overall issue was that the intervention was implemented and operated without enough integration into other agency and community activities.

The evaluators did offer a qualified endorsement of Wraparound. While the overall trends did not indicate a difference in outcomes for children as a result of Wraparound, there were statistically significant positive outcomes in Alameda (higher proportion of treatment group children living in family-like settings at the end of the study; some positive child & family well-being indicators) and Sacramento (a smaller proportion of treatment group children exiting due to incarceration).

California has submitted another application to allow up to 20 counties to undertake a new Title IV-E waiver. Los Angeles County intends to take part in the waiver if the waiver is approved by the federal government.

ADMINISTRATION STAFF REQUEST:

The Budget includes \$805,000 (\$402,000 General Fund) to extend four positions to monitor the pending IV-E Waiver project. The administration is optimistic that a waiver will be approved by the end of this month.

STAFF COMMENT:

The IV-E waiver is a very promising mechanism for flexibility, but it comes with some risk. In fact, the counties that have done the most to reduce placements bear the most risk, since their opportunities to achieve savings are lower than other counties.

Federal rules require families to have an income below a fixed income eligibility level to qualify for Title IV-E funding (families who would have been eligible for AFDC as the program existed July 16, 1996. As a result, the percentage of federally eligible foster children have declined each year and will continue to decline as long as this rule is in effect.

The federal government will lose the authority to provide IV-E Waivers at the end of this month. However, the President's proposed 2007 budget has a proposal to allow the State to opt into a statewide waiver for IV-E.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES
ITEM 6110 CALIFORNIA DEPARTMENT OF EDUCATION
ITEM 7980 CALIFORNIA STUDENT AID COMMISSION

ISSUE #11: EDUCATION OF FOSTER YOUTH

The Subcommittee will discuss education programs for foster youth.

BACKGROUND:

Half of all foster youth do not complete high school, and only 15% take the necessary courses to gain college admission. Foster youth face barriers receiving the necessary academic preparation for college and obtaining the information necessary to complete the application and financial aid process. Not surprisingly, fewer than 10% of foster youth who graduate go on to college. If foster youth do manage to overcome existing challenges and enter college, they still struggle to find the financial assistance to fund their living and education expenses and to receive the support on campus to successfully graduate from college. As a result, fewer than 2% of foster youth who go on to college ever graduate. The consequences for foster youth of not completing a postsecondary education are severe.

FUNDING FOR FOSTER YOUTH SERVICES:

Foster Youth Services were established in 1981, to address the many barriers foster youth face such as multiple transfers between schools, loss of school and health records, difficulty adjusting, and loss of contact with other people who care about them. The California Department of Education awarded the first grants in 1998-99 that funded 35 countywide programs. By 2003-04, the program expanded to cover 50 county offices of education, serving about 12,000 foster children, representing 92 percent of the foster youth residing in Group Homes. Eligible applicants include county offices of education, a consortium of school districts working with the county office of education, or a consortium of counties as a single applicant.

CHAFEE SCHOLARSHIP FUNDING UTILIZATION UPDATE:

The California Chafee Foster Youth Grant program provides scholarships to former foster youth. This year, California received approximately \$8 million in federal funds for education training vouchers of up to \$5,000 per academic year foster youth who:

- Are a minimum age of 16 and who have not reached their 22nd birthday by July 1, 2006
- Were eligible for Chafee Independent Living Program Services between their 16th and 18th birthday.
- With financial need certified by the school

- Up to the Cost of Education, not to exceed \$5,000

The current federal funding provides roughly half the unmet financial need for 1,786 students. However, so far in the current year, over 5,000 students applied for Chafee, and of those applications approximately 1,124 eligible youth will not receive assistance through the Chafee program due to limited federal funding. CSAC notes that applications are still being filed, so the current year number continues to change. It would cost \$5.6 million General Fund to fully fund the 1,124 eligible applicants that are currently not served by the Chafee program.

Of the 1,786 awards that were made this year, 1,283 renewals and 503 new awards.

STAFF COMMENT:

The California Student Aid Commission has also encountered a cash flow problem associated with the timing of the federal fiscal year that inhibits approving applications before October 1st of each year. Since most schools award financial aid in the fall, this delay hurts students that need the funding to plan for their expenses. The State could "loan" CSAC General Fund for the first three months of the fiscal year, to avoid the delay in making these grants.

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #12: DEPENDENCY DRUG COURTS**

The Governor's budget does not maintain the \$1.8 million federal PSSF funding included in the *2005-06 Budget Act* for Dependency Drug Courts.

BACKGROUND:

The Governor's budget does not maintain the \$1.8 million federal PSSF funding included in the *2005-06 Budget Act* for Dependency Drug Courts. The Administration indicates that it will consider restoration of this funding upon review of an evaluation report for Dependency Drug Courts that is due to the Legislature during 2006 budget hearings.

Dependency Drug Courts provide intensive substance abuse treatment along with close court supervision to parents who are involved in dependency court cases. Prior evaluations of the DDC model, including one conducted for the federal Department of Health and Human Services, have produced evidence that the model reduces time to reunification, increases reunification rates, and increases participation in substance abuse treatment. This approach would result in cost avoidance in Foster Care and CWS programs. Based on our review of existing studies, we believe that cost avoidance in Foster Care and CWS exceeds the cost of the drug court program.

During the 2005-06 budget process, the legislature approved funding for the continuation of DDC activities in nine counties, in coordination with the Department of Alcohol and Drug Programs. This funding also supported an evaluation to determine the cost-effectiveness of the programs. Trailer bill language accompanied the *2005-06 Budget Act* to specify "dependency drug courts be funded unless an evaluation... demonstrates that the program is not cost effective."

STAFF COMMENT:

The recent increase in federal PSSF funding could potentially provide a source of funding to continue the program.

Several counties, including Los Angeles, that currently do not offer Dependency Drug Courts have expressed interest in adopting the program at their courts if funding were made available.

DSS believes it will have the results of the evaluation Dependency Drug Court program by the end of April. The Subcommittee will hear this issue again at that time to consider this evaluation.

ISSUE #13: FOSTER CARE RATES

Foster Care Rates have not increased since FY 01-02.

BACKGROUND:

The State provides financial reimbursement to Foster Family Homes, Foster Family Agencies, and Group Homes based on a system that accounts for level of care. These rates are not adjusted ever year

Type of Care	Average Grant (Total Funds)
Foster Family Homes	\$ 682
Foster Family Agencies	\$ 1,751
Group Homes	\$ 5,100

Foster Care Rates have not been increased since FY 00-01, yet since that time costs have increased by 9 percent. This represents about \$134 million in additional costs that have been absorbed by providers since the last increase.

COLA REQUEST:

The California Alliance of Child and Family Services requests that the 2006-07 State Budget include a 3.75% CNI-based COLA for AFDC-Foster Care rates for all types of foster care providers, which would have a State General Fund cost of approximately \$16.4 million. If the COLA were limited to group home programs, the State General Fund cost would be approximately \$ 8.9 million.

RESIDENTIALLY BASED SERVICES REFORM:

The California Alliance of Child and Family Services is proposing a reform measure this year in legislation that will require the Department of Social Services to transform the current system of group care for foster children. The plan is to be developed by an outside consultant with demonstrated expertise. The legislation requests \$1 million in funds to support the development of a plan and it may be appropriate to consider this funding in the budget process.

STAFF COMMENT:

None.

ISSUE #14: AUDIT REQUIREMENTS FOR GROUP HOMES AND STATE AUDIT STAFF

Several group homes would like the State to reconsider its audit threshold.

BACKGROUND:

Currently all California Group Homes with annual expenditures above \$300,000 must undergo an annual financial audit. The federal government has raised its required the threshold for annual audits to \$500,000, but the State requirements have remained at the \$300,000 threshold.

At least two group homes that exceed \$300,000 per year in total expenditures but spend less that the federal threshold of \$500,000 have raised concerns that this audit requirement results in \$5,000 to \$10,000 additional administrative costs each year. These group homes would like to increase the State threshold to the federal minimum level. These group homes also comment that a recent federal change will deny federal reimbursements for audits below the federal threshold.

FOSTER CARE AUDIT STAFFING REQUEST

The Governor's budget proposes \$577,000 (\$357,000 General Fund) and the restoration of six three-year limited-term positions to perform fiscal audits of non-profit corporations that operate Foster Family Agencies or group home programs. Positions to perform these audits functions were eliminated in 2003-04.

STAFF COMMENT:

Given the heightened oversight from the federal government on payments in these areas, restoring the staff seems like a prudent measure to ensure that Foster Care contractors have sound internal controls and fiscal stability.