

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

**Assemblymember Hector De La Torre, Chair**

**WEDNESDAY, MARCH 16, 2005**  
**1:30 PM, STATE CAPITOL ROOM 444**

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**ITEMS TO BE HEARD**

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## ITEMS TO BE HEARD

### ITEM 5180 DEPARTMENT OF SOCIAL SERVICES

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#### ISSUE 1: OVERVIEW OF CHILD WELFARE SYSTEM

A complex system of programs protects children from abuse and neglect and cares for those that cannot remain with their families.

#### BACKGROUND:

California protects children from abuse and neglect and cares for its foster children through a county administered system overseen by the State Department of Social Services.

#### 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.

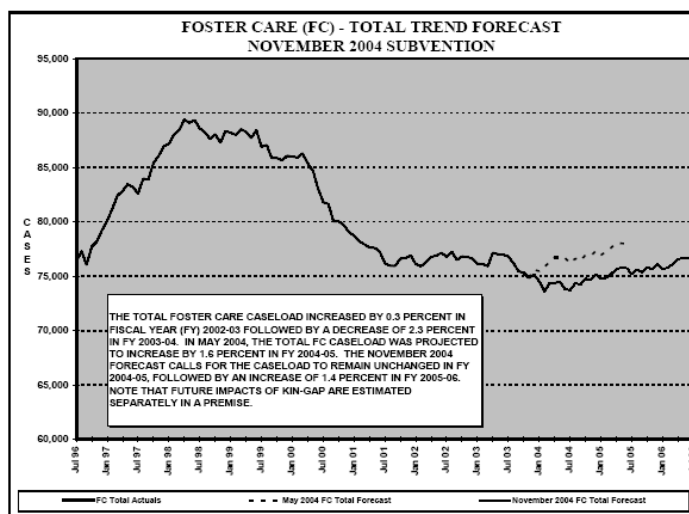
<b>Average Monthly CWS Caseload by Component 2005-06</b>		
	<b>Cases</b>	
	<b>Number</b>	<b>Percent</b>
Emergency Response Assessment	17,461	10%
Emergency Response	44,534	27
Family Maintenance	24,398	15
Family Reunification	22,690	14
Permanent Placement	58,305	35
<b>Totals</b>	<b>167,388</b>	<b>100%</b>
Detail may not total due to rounding.		

### Foster Care

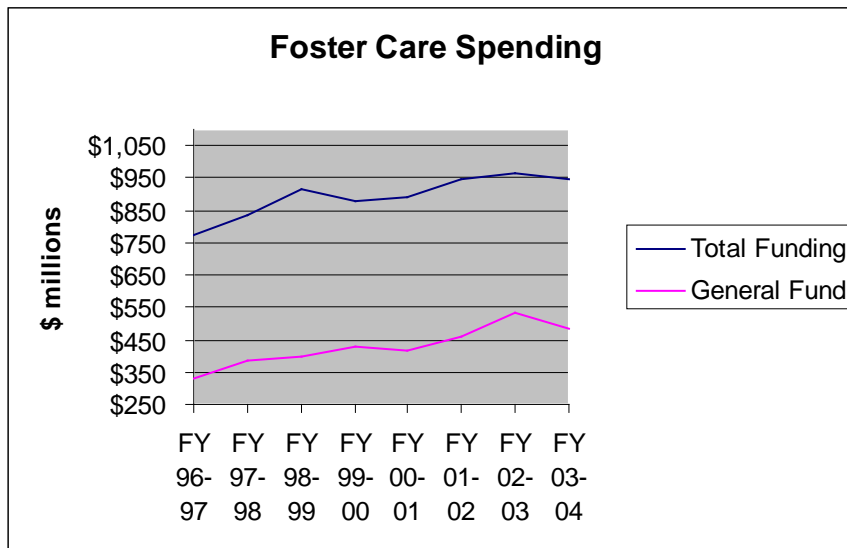
The Foster Care (FC) Program provides out-of-home care on behalf of children meeting the following criteria: removal from the physical custody of a parent or guardian as a result of a judicial determination that remaining in the home would be contrary to the child's welfare and adjudication as a dependent or ward of the court; residing with a non-related legal guardian; voluntarily placed by a parent or guardian; relinquished for the purposes of adoption; or placed pursuant to the Indian Child Welfare Act.

Foster care is an entitlement program funded by federal, state, and local governments. Children are eligible for foster care grants if they are living with a foster care provider under a court order or a voluntary agreement between the child's parent and a county welfare department. The California Department of Social Services (DSS) provides oversight for the county-administered foster care system. County welfare departments make decisions regarding the health and safety of children and have the discretion to place children in one of the following: (1) a foster family home, (2) a foster family agency home, or (3) a group home.

FOSTER CARE PLACEMENTS	
Placement Type	Description
Foster Family Homes	<ul style="list-style-type: none"> <li>◆ A residential facility that serves no more than six foster children.</li> <li>◆ Provides 24-hour care and supervision in a licensee's home.</li> <li>◆ Foster care grant may be supplemented for care of children with special needs.</li> </ul>
Foster Family Agency Homes	<ul style="list-style-type: none"> <li>◆ Homes operating under nonprofit foster family agencies which provide professional support.</li> <li>◆ These placements are required by law to serve as an alternative to group home placement.</li> </ul>
Group Homes	<ul style="list-style-type: none"> <li>◆ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children.</li> <li>◆ Generally serve children with severe emotional or behavioral problems who require a more restrictive environment.</li> </ul>



The Governor's budget proposes expenditures of \$1.7 billion (\$413 million General Fund) for the Foster Care Program in 2005-06. This represents a 12 percent decrease in General Fund expenditures from the current year. This decrease is primarily attributable to replacing General Fund support for state-only group home costs with Temporary Assistance for Needy Families federal funds, partially offset by caseload increases in certain high-cost components of the program, and an increase in the average grant cost. The total caseload in 2005-06 is estimated to be approximately 75,934, an increase of 1.4 percent compared to the current year.



## Kin-Gap

Kin-GAP is the Kinship Guardianship Assistance Payment program. It is an option started in January 2000 for certain children who have been living with relatives as Juvenile Court dependents and whom the relative is unable or unwilling to adopt.

All the following conditions must be met to qualify for Kin-GAP:

- The caregiver is a relative;
- The child has been living with the relative for at least 12 continuous months;
- The child has been made a dependent of the Juvenile Court;
- Dependency status is terminated by the Juvenile Court after January 1, 2000; and
- The relative caregiver is made the legal guardian under the Juvenile Court's permanency plan for the child.

Kin-GAP payments are equal to the foster care rate in each county. However, unlike the State and Federal AFDC-Foster Care programs, there is no special needs payment for a disabled child in Kin-Gap.

Kin-GAP lasts until the child turns 18, or, in some situations, 19 years of age.

Kin-GAP payments are made by the county in which the child was made a dependent of the Juvenile Court, no matter where the family lives at the time of seeking benefits.

### PANELISTS:

- Lauren Nackmen

Legislative Analyst's Office

- Bruce Wagstaff  
Department of Social Services

## **ISSUE 2: FEDERAL REVIEW OF CALIFORNIA'S PERFORMANCE**

The federal government requires California to improve its child welfare outcomes or risk fiscal sanctions.

### **BACKGROUND:**

#### ***The Federal Review***

In the mid-1990's, a package of new federal legislation made sweeping changes to state child welfare services (CWS) 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 develop a set of outcome measures and overhaul the state performance review processes in the CWS and foster care programs. Toward that end, the federal government developed the Child and Family Service Reviews (CFSR), 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.

No State has "passed" all components evaluated during the reviews. California, along with nine other states, failed all seven safety, well-being, and permanency outcomes. Of the seven systemic measures, California is the only state that has failed more than four.

Goal	Indicator	Federal Standard	State Initial Performance	UC Berkeley Data	State PIP Target	Recent Performance
Safety Outcomes	Recurrence of Maltreatment	6.1% or less	10.7%	10.9%	8.9%	8.7%
	Incidence of Child Abuse and/or Neglect in Foster Care	0.57% or less	1.1%	N/A	0.53%	0.81%
Permanency Outcomes	Foster Care Re-entries	8.6 % or less	10.7%	9.3%	9.4%	10.5%
	Stability of Foster Care Placement	86.7 % or more	77.8%	82.9%	81.6%	85.8%
	Length of Time to Achieve Adoptions Goal	32% or more	18.0%	16.4%	20.9%	27.6%
	Length of Time to Achieve Reunification	76.2% or more	53.2%	53.7%	57.2%	63.4%

Of the seven systemic measures, California is the only state that has failed more than four:

Systemic Measure	Goal
<b>Passed</b>	
Agency Responsiveness to Community	A discussion of the State's involvement of community stakeholders in the planning and development of the Child and Family Services Plan.
Statewide Information System	The ability of the State to operate a Statewide Information system that can determine the status, location and goals of children in foster care.
<b>Failed</b>	
Case Review System	The ability of the State to ensure that each child in foster care has a completed case plan and timely court hearings.
Foster and Adoptive Parent Training, Licensing, Recruitment, and Retention	The State's ability to establish and maintain standards for foster and adoptive homes.
Quality Assurance System	The implementation of standards that ensure that children in foster care are provided services that protect their health and safety
Service Array	The ability of the State to provide prevention, reunification or permanency planning services to children and families.
Staff Training	A discussion of the State's training programs for new and experienced social workers, foster and adoptive care providers.

***Program Improvement Plan (PIP)***

The PIP is a plan that the State submitted to the federal government to illustrate the steps California would take to improve performance. While the new federal review process establishes fiscal penalties, states will not be immediately assessed a penalty upon failing the review. Before the assessment of a penalty, states will have the opportunity to submit program improvement plans (PIPs) designed to move them toward meeting the federal outcome measures. Each state has 90 days in which to submit a plan following the release of its final federal report. With a goal of continued quality improvement, states whose performances remain below the national standard in subsequent reviews will be required to establish new benchmarks of improvement, moving those states closer toward the attainment of the national standard. As long as states continue to meet their agreed upon benchmarks, the penalties will be held in abeyance.

In the PIP submitted to the feds, DSS outlines a number of strategies to improve performance statewide. Among these, the Legislature and Governor approved funding in the current budget year for 11 pilot counties to develop protocols and targeted implementation of three deliverables. The Budget contains \$26.6 million (\$14.7 million General Fund) for these activities.

**PANELISTS:**

- Bruce Wagstaff  
Department of Social Services
- Frank Mecca  
County Welfare Directors Association

**STAFF COMMENT:**

The federal government sampled only 50 cases statewide to calculate the State's performance in each of the outcome measurements. There has been some concern that as a result, the measurements don't accurately depict the State's level of performance in each of these areas.



**ISSUE 3: MEASURING PERFORMANCE AND OUTCOMES**

Measuring County performance will be important to improving our outcomes Statewide.

**BACKGROUND:**

In 2001, the Legislature passed AB 636 (Steinberg). AB 636 established the Child Welfare Outcomes and Accountability System which measures outcomes-based indicators for each county, including the measures used in the federal Child and Family Service Review. Counties began to receive data from AB 636 this year. This data allows the county to identify weaknesses in its performance and focus its efforts upon specific areas.

The AB 636 effort also required counties to undertake a process to improve their own performance. Counties are required to complete a self-assessment of strengths and weaknesses, conduct county peer quality case reviews, and formulate a County System Improvement Plan (SIP). The SIP is developed by the county's child welfare agency in collaboration with their local partners, such as the mental health and probation departments and are approved by the County Board of Supervisors and CDSS. The overall focus of the plan is a commitment to specific measurable improvements in performance outcomes that the county will achieve within a defined timeframe. The SIP will establish program priorities, define the action steps to achieve improvement and establish the specific percentage increases in performance that the county will achieve within the term of the plan.

The Child Welfare Outcomes and Accountability System is inextricably linked to the State's response to the federal review. The federal review requires the State to submit a Program Improvement Plan (PIP), including strategies for areas needing improvement. Because the federal indicators are a subset of the State proposed indicators, the Child Welfare Outcomes and Accountability System will help counties focus upon these outcomes. This focus will not only improve State performance on the federal outcomes, but on an even broader set of vital indicators.

**PANELISTS:**

- Frank Mecca  
County Welfare Directors Association
- Bruce Wagstaff  
Department of Social Services

**STAFF COMMENT:**

County-level initiatives will help the State improve its overall perform. AB 636 helps the State focus upon county level challenges, which may be unique to specific counties.

While the State has reported AB 636 county data this year, there has been some concern that some of the data may be erroneous. As counties work to establish a baseline for their performance, the data should become more reliable.

**ISSUE 4: FUNDING FLEXIBILITY**

Federal and State limitations upon foster care and child welfare funding restrict the ability of counties to adjust their program.

**BACKGROUND:**

Funding for the Child Welfare System comes from a variety of State, federal, and local sources. Federal funding is provided through Titles IV, XIX, and XX of the Social Security Act. The State also uses Temporary Assistance for Needy Families (TANF) funding for Emergency Assistance cases. In addition to federal funds for child welfare and foster care, the State and counties provide support, with the State providing 70% and the counties providing 30% of the non-federal share. For child welfare services, the State pays 40% and counties pay 60% of the non-federal share of services.

**Title IV-B**

IV-B accounts for 2 percent of all State child welfare spending in FY 05-06. With the exception of the relatively small Adoption Incentive Payment program, the programs authorized by Title IV-B are the most flexible source of dedicated child welfare funds. While the State/Counties must match Title IV-B funds with a 25 percent share of nonfederal funding, the law does not impose any federal income or other eligibility restrictions on which families may be served with these funds.

Subpart 1 of Title IV-B, known as the Child Welfare Services Program, authorizes matching grants to states for a broad array of child welfare services. Subpart 1 funding is discretionary, meaning that actual funding levels are determined by the annual appropriations process. Funding under Subpart 2 of Title IV-B, Promoting Safe and Stable Families, may be used for four broad types of services:

- (1) Prevention
- (2) Family preservation,
- (3) Time-limited family reunification, and
- (4) Adoption promotion and support.

This program is a capped state entitlement, meaning that states are entitled to their specified share of annual funding.

**Title IV-E**

Title IV-E represents the largest source of child welfare federal funding. The budget assumes that 68% of all child welfare, foster care, and adoptions spending in 2005-06 will draw down Title IV-E funding. The Title IV-E Foster Care program is a permanently authorized, open-ended entitlement program. This means that states may claim federal reimbursement for every eligible child who is placed in a licensed foster home or institution. Eligibility for IV-E Foster Care reimbursement is based on

each State's old Aid to Families with Dependent Children (AFDC) income need standards. Specifically, States receive federal IV-E funding only for children whose biological families would have been eligible for AFDC as the program existed July 16, 1996.

Federal reimbursement is provided for:

- (1) Maintenance payments to foster families, covering the costs of shelter, food, and clothing; The federal matching rate for maintenance payments is equal to each state's Medicaid matching rate, which averages about 57%.
- (2) Placement and administrative costs, including case management, eligibility determination, licensing, and court preparation; and
- (3) Training for staff and foster parents.

The federal matching rate for placement and administration is 50%, and training costs are matched at a 75% federal rate.

#### **IV-E WAIVER**

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.

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.

**PANELISTS:**

- Miriam Krinsky  
Executive Director  
Children's Law Center of Los Angeles
- Bruce Wagstaff  
Department of Social Services
- Frank Mecca  
County Welfare Directors Association

**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.

**ISSUE 5: HOW DOES STATE PERFORMANCE IMPACT THE BUDGET?**

The Subcommittee will discuss the budgetary impact of the State's child welfare outcomes.

**BACKGROUND:**

There are several examples of the how the State's foster care system's performance impact its overall level of spending

**1. Federal Fiscal Sanctions**

California could be fined as much as \$73.9 million a year in the future for not meeting our federally required Program Improvement Plan goals. The PIP penalties are assessed in a three year process which starts after the initial federal review is completed. There are 7 outcome factors and 7 systemic factors (14 total) the Federal Government reviews for compliance. For each one of the 14 factors found out of compliance, a penalty of 1 percent of the State's entire IV-B allocation and 10% of the IV-E administrative funds will be applied up to a maximum of 14% the first year. This increases to 28% in the second year and 42% in the third year. This results in the following maximum penalty amounts:

Maximum Penalty 1st year:	\$24.6 Million
Maximum Penalty 2nd year:	\$49.3 Million
Maximum Penalty 3rd year:	\$73.9 Million

In the initial review, California passed two (Statewide Information System and Agency Responsiveness to the Community) of the 14 outcome indicators, so our maximum risk for the first year went down from \$24.6 to \$18.1 Million. We are currently in the second year of the penalty process so if the federal Region IX office determines that California is not satisfactorily meeting all 14 outcome indicators in our second year, the maximum penalty we would be at risk of is \$49.3 Million and year three, we would be at risk of \$73.9 Million. Those amounts could be reduced if we are found to meet some or all of the outcome indicators. However, we will not know until we receive notification from Region IX.

Under the current federal regulations, the penalties can only be set aside if a State has satisfactorily met all the terms of the Program Improvement Plan (PIP). The responsibility for making a final determination on whether a State meets/does not meet the terms of the PIP is delegated to the federal Regional offices (in California - Region IX).

**2. Length of Time to Permanency**

Two federal review permanency measures were 1) the percentage of children achieving reunification in one year and 2) the percentage of children achieving adoptions within 24 months. The State failed both measures, as illustrated on the next page.

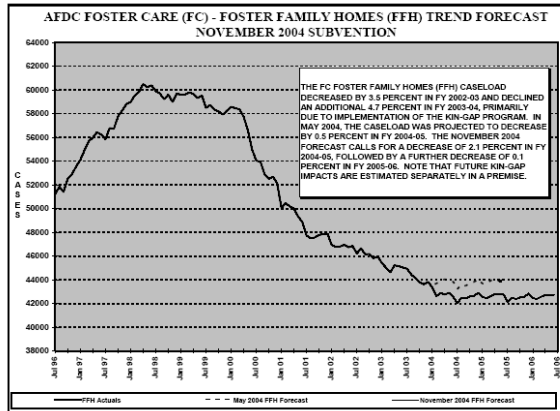
Goal	Indicator	Federal Standard	State Performance	Initial UC Berkeley Data	State PIP Target	Recent Performance
Permanency Outcomes	Length of Time to Achieve Adoptions Goal	32% or more	18.0%	16.4%	20.9%	27.6%
	Length of Time to Achieve Reunification	76.2% or more	53.2%	53.7%	57.2%	63.4%

Children that cannot find a permanent placement must stay in foster care, a temporary situation that impacts their ability to achieve stability in their lives.

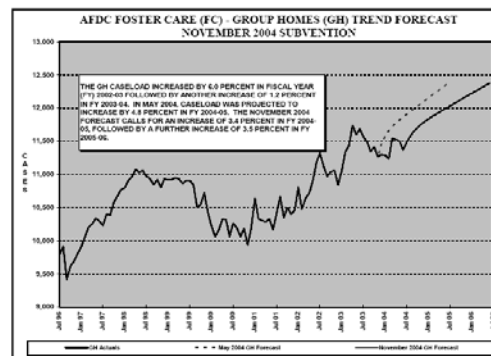
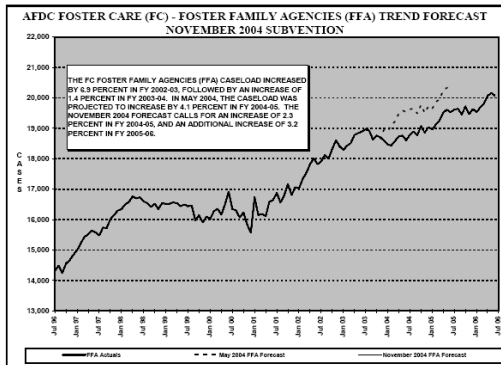
For the State, each additional year of foster care for a child costs \$8,712 (\$2,370 General Fund) plus administrative, social worker and court costs. Longer time periods for achieving reunification translate into higher costs for the State.

**3. Foster Family Home Placements**

Recent trends in Foster Care Placements result in higher costs for the State. Although overall Foster Family Home placements are declining in California;



Foster Family Agency and Group Home Placements are increasing.



**Group Homes.** This caseload is made up of foster children who, for various reasons, have been placed in a group home. The Group Homes are non-detention facilities that provide services for children in a group setting rather than in a more traditional family home. This is the most expensive placement for a child in foster care. For 2004-05 and 2005-06, the department is estimating that the average monthly grant will be about \$5,100 per child.

**Foster Family Agencies. (FFA)** This caseload is made up of children who have been placed in a certified foster family home that is overseen by a 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 2004-2005 and 2005-2006, the department is estimating that the average monthly grant will be about \$1,750 per child.

From 1990-91 through 2002-03, the Group Home and FFA caseloads had been growing steadily. However, caseload data from the last 15 months show a decline and flattening of both caseloads. The Group Home caseload peaked in April 2003 at 11,736. In July 2004, the most recent month available, the Group Home caseload was down to 11,242. This constitutes a 4 percent reduction over this 15-month period. Likewise, the FFA caseload has moved up and down a little more, but has averaged about 18,700 cases per month over the last 15 months.

When cost is taken into account, these caseload trends mean that our foster care translates into higher costs for the State. The chart below illustrates the average cost per placement:

Type of Care	Average Grant (All funding sources)
Foster Family Homes	\$ 682
Foster Family Agencies	\$ 1,751
Group Homes	\$ 5,100
KinGAP	\$ 487

#### 4. Foster Care Re-entries

Another federal review and foster care re-entries lead to increased costs in the child welfare system. The measure defined the percentage of foster care cases that re-entered the system a second time. Although, as the chart on the next page indicates, California came close to meeting the federal performance guidelines for this measure, the State could still improve:



Goal	Indicator	Federal Standard	State Initial Performance	UC Berkeley Data	State PIP Target	Recent Performance
Permanency Outcomes	Foster Care Re-entries	8.6 % or less	10.7%	9.3%	9.4%	10.5%

Each Foster Care Re-entry results in significant social worker, court, foster care, and other costs. If the State could improve its performance in this area, it would result in savings to both the State and county government in many different agencies that handle child protection complaints.

**5. Emancipated Foster Youth**

Outcomes for foster youth that emancipate out of the system result in higher public costs to the State. 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

**PANELISTS:**

- Lauren Nackmen  
Legislative Analyst’s Office
- Bruce Wagstaff  
Department of Social Services
- Frank Mecca  
County Welfare Directors Association
- Jennifer Rodriguez  
California Youth Connection

**ISSUE 6: PUBLIC COMMENT**