Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, Chair
Senator William W. Monning
Senator Jeff Stone

Thursday, March 30, 2017
9:30 a.m., or Upon Adjournment of Floor Session
State Capitol, Room 4203
PART A

Consultant: Theresa Pena

5175 DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)

Issue 1: Overview

The Department of Child Support Services (DCSS) is the single state agency designated to administer the federal Title IV-D mandated Child Support Program (CSP). California's Child Support Program seeks to enhance the well-being of children and families' self-sufficiency by providing professional services to locate parents, establish paternity, and establish and enforce orders for financial and medical support. DCSS estimates that there are approximately 1.2 million child support cases in California.

Administration and funding. The Child Support Program is locally administered and funded through federal and state funds, 66 percent and 34 percent, respectively. The program earns federal incentive funds based on the state's performance in the five federal performance measures (to be discussed below). Eligibility for federal Temporary Assistance to Needy Families (TANF) Block Grant funding is also contingent upon continuously providing federally-required child support services.

Service delivery. Local and regional child support agencies deliver services, which are available to all California residents. Families may be referred to CSP through public assistance programs. Non-aided families may apply for services at an office or online, and support is passed directly to the custodial party. After the initial application or referral, the family proceeds to case intake.

Collections. Basic collections represent the ongoing efforts of Local Child Support Agencies (LCSAs) to collect child support payments from parents paying support. Basic collections are collected from the following sources: wage assignments; federal and state tax refund intercepts; unemployment insurance benefit intercepts; lien intercepts; bank levies; and, direct payments from parents paying support. Collections made on behalf of non-assistance families are forwarded directly to custodial parties; while collections for families receiving assistance are retained and serve as recoupment of past welfare costs.

Total Collections Received, by source (FY 2015-16)	
Wage Withholding	$1.62 billion
IRS federal income tax refund	$147 million
FTB state income tax refund	$36 million
Unemployment Insurance Benefits	$40 million
Collections from other IV-D states	$96 million
Non-custodial parents regular payments	$345 million
Other sources* (Liens, workers' compensation, disability insurance benefits offset, California insurance intercepts, and full collections program without wage levies)	$105 million

Total child support distributed collections have grown from $2.4 billion (fiscal year 2015-16) to a projected $2.5 billion for the budget year ($2.1 billion non-assistance payments; $403 million assistance payments). According to the Administration, wage withholding continues to be the most effective way to collect child support, constituting 68 percent ($1.6 billion) of the total collections received. For more information about total collections received by source, please see the department's chart above.

Disregard payments to families. In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, the custodial party receiving support also receives the first $50 of the current month's child support payment collected from the non-custodial parent. Forwarding the disregard portion of the collection to the family, instead of retaining it as revenue, results in reduced collection revenues for state and federal governments.

Automation System. Federal law requires each state to create a single statewide child support automation system that meets federal certification standards. There are two components of the California Child Support Automation System—Child Support Enforcement (CSE) and State Disbursement Unit (SDU).

- Child Support Enforcement. The CSE system contains tools to manage the accounts of child support recipients and to locate and intercept assets from non-custodial parents who are delinquent in their child support payments. In addition, it funds the local electronic data processing maintenance and operation costs.

- State Disbursement Unit. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parties. The SDU complements the CSE system by providing services to collect and distribute child support obligation payments for both the IV-D and non- IV-D populations[1], and to prepare collection payment transactions for processing by the CSE system.

The California Child Support Automation System (CCSAS) was implemented in 2008, and received its federal certification as the statewide automation system shortly thereafter. The program's cost was approximately $1.5 billion dollars, and implementation took around eight years. DCSS must maintain the automation system, and is responsible for ensuring that LCSAs can access the system. Ongoing annual costs for the CCSAS are approximately $122 million ($107 million Child Support Enforcement; $15 million State Disbursement Unit).

The following chart displays the total CCSAS CSE actual and projected costs through 2017-18.

TASKS	ACTUAL 2003/04 - 2013/14	BUDGET SFY 2014/15	BUDGET SFY 2015/16	BUDGET SFY 2016/17	BUDGET SFY 2017/18	TOTAL
Development	902,073,292	-	-	-	-	$ 902,073,292
Operations	555,629,865	69,810,366	71,072,440	71,860,440	71,858,440	$ 840,231,551
Local Technical Support	671,403,274	35,007,994	35,007,994	35,007,994	35,007,994	$ 811,435,250
TOTAL CSE Costs	**$ 2,129,106,431**	**$ 104,818,360**	**$ 106,080,434**	**$ 106,868,434**	**$ 106,866,434**	**$ 2,553,740,093**

[1] Title IV-D of the Social Security Act is a federally required program providing parentage and support establishment and support enforcement services.

<u>2013 Federal Performance Measures</u>. Federal incentive payments are based on the state's annual data reliability compliance and its performance in five measures, which were established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and the Child Support Performance and Incentive Act of 1998. The five performance measures are:

1. **Statewide Paternity Establishment Percentage (PEP)** measures the number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock during the preceding fiscal year. California measured 98.6 percent in FFY 2016. The federal minimum performance level is 50 percent.

2. **Cases with Support Orders Established** measures cases with support orders as compared to total caseload. California measured 90.4 percent for FFY 2016, an increase of one percentage points over FFY 2015. The federal minimum performance level is 50 percent.

3. **Collections on Current Support** measures the current amount of support collected as compared to the total amount of current support owed. California measured 67 percent for FFY 2016, an increase of 0.5 percentage points from the previous year. The federal minimum performance level is 40 percent.

4. **Cases with Collections on Arrears** measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year. California measured 66.7 percent for FFY 2016, an increase of 0.5 percentage points from the previous year. The federal minimum performance level is 40 percent.

5. **Cost Effectiveness for California** compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditures. California measured $2.51 for FFY 2016, unchanged from the previous year. The federal minimum performance level is $2.00.

DCSS estimates that California will be entitled to $41.6 million in federal incentive funds for fiscal year 2015-16 and $42.4 million in the budget year.

On December 11, 2014, the department issued Child Support Services letter 14-12, which outlines how the department will shift from evaluating statewide and local performance improvement efforts exclusively by the five federal performance measures to a more "customer-oriented, family-centered approach." Performance management plans will be reviewed within the context of practice improvement indicators, as provided by the department; and, regional administrators will monitor LCSA implementation.

DCSS has since developed a set of measures called practice indicators to track other key metrics that are important to our customers and to the performance of the program. These measures are meant help to inform strategies and practices that the LCSAs adopt and include in their annual performance improvement plans. Some key practice indicators the percentage of orders that result from collaborative negotiations with both parties that result in stipulation orders, the timeliness of service provided, the reliability of child support payments and the accuracy of child support orders.

<u>Update on Local Child Support Agency Revenue Stabilization</u>. Since July 1, 2009, the state provides $18.7 million ($6.4 million General Fund) for the 49 LCSAs to stabilize caseworker staffing, and to avoid a loss in child support collections. To receive an allocation of revenue stabilization funds, DCSS requires that revenue stabilization funds are distributed to counties based on their performance on two key federal performance measures—1) collections on current support and 2) cases with collections on arrears. According to 2015-16 data, DCSS found that revenue stabilization funds maintained statewide child support collections. Specifically, the stabilization funds have assisted in retaining:

- 210 child support caseworkers
- $135.3 million in total distributed collections.
- $15.2 million in net total assistance collections.
- $7.2 million GF share of assistance collections.
- $120.1 million in total non-assistance collections.

<u>Uniform Interstate Family Support Act (UIFSA)</u>. The UIFSA governs the establishment, enforcement, and modification of interstate child and spousal support orders by providing jurisdictional standards and rules for determining which state's order is controlling and whether a tribunal of this state may exercise continuing, exclusive jurisdiction over a support proceeding. The UIFSA was first developed by the National Conference of Commissioners on Uniform State Laws in 1992, was amended in 1996, 2001, and 2008. All states were required to enact UIFSA in 1998 as a condition to receive federal funds for family support enforcement. As a result, UIFSA is currently state law in all 50 states and jurisdictions.

The UIFSA 2008: 1) allows states to redirect support payments to a new state when all parties have left the state that originally issued a support order; 2) requires courts to permit out-of-state parties to appear telephonically in proceedings to establish, modify, or enforce a support order; and, 3) allows for the provision of child support services to residents of other countries pursuant to the 2007 Hague Convention on the International Recovery of Child Support and Other Forms of Maintenance.

On September 29, 2014, the President signed the Preventing Sex Trafficking and Strengthening Families Act (Public Law (P.L.) 113-183), which, among its provisions requires the adoption of the UIFSA 2008 by the end of each state's 2015 legislative session, as a condition of federal child support program funding. The key changes from the 1996 version to the 2008 version include:

- Allowing California to redirect support payments to a new state when all parties have left the state that originally issued a support order;
- Requiring courts to permit out-of-state parties to appear telephonically in proceedings to establish, modify, or enforce a support order; and
- An expansion for provision of child support services to residents of other countries pursuant to the Hague Convention on the International Recovery of Child Support and Other Forms of Maintenance (Convention).

<u>Office of Child Support Enforcement (OCSE) Final Rule</u>. On December 20, 2016, the federal OCSE published The Flexibility, Efficiency, and Modernization in Child Support Programs Final Rule (Final Rule). Effective January 19, 2017, the final rule makes changes to the child support program intended to increase the effectiveness of the program for all families, states, territories and tribal programs and to ensure that child support services are accessible to families and delivered in a fair and transparent manner. Some of the changes include: clarifying and streamlining regulations to improve the efficiency of child support programs; clarifying the variables that should be considered or included when calculating a child support order amount in order to improve the fairness and accuracy of child support orders; expands criteria for closing child support cases; and expands the types of services for which federal financial participation is available. DCSS, in collaboration with the LCSAs, is in the process of conducting an in depth review of the Final Rule in order to determine how this impacts California's Child Support Program. In addition, DCSS will work with the Judicial Council of California (JCC) to see how the provisions pertaining to child support order setting guidelines will impact California's child support guidelines. The JCC is currently in progress of conducting a quadrennial review of the state's child support guidelines.

Staff Comment and Recommendation. Informational only. No action required.

Questions.

1. Please provide a brief overview of the department and its services.

Issue 2: TBL – Extend Suspension of Improved Performance Incentives

Governor's Proposal. The Administration proposes to extend the suspension of Improved Performance Incentives for DCSS through 2017-18.

Background. The Improved Performance Incentives program provides that the ten LCSAs with the best performance standards will receive an additional five percent of the state's share of those counties' collections that are used to reduce or repay aid that is paid under the CalWORKs program, and that these funds be used for specified child support-related activities. The incentives are paid for with 100 percent General Fund. However, this law was only operative for one year and has been suspended since 2002-03 due to fiscal restraints.

The department notes that they are currently evaluating how this program should be restructured to better direct incentives towards specific reforms or innovations that could improve collections, the reliability of child support payments owed by non-custodial parties, and increase the pool of eligible LCSAs.

Staff Comment and Recommendation. Hold open. No concerns have been raised to subcommittee staff at this time.

Questions.

1. Please provide a summary of the proposal.

Issue 3: TBL – Repeal Health Insurance Incentives Program

Governor's Proposal. The Administration proposes to repeal the Health Insurance Incentives Program.

Background. The Health Insurance Incentives Program requires that DCSS provide payments to the LCSA of $50 per case for obtaining third-party health coverage or insurance of Medi-Cal beneficiaries, to the extent that funds are appropriated in the budget act. However, this program was only operative for one year and these payments have been suspended since 2003-04. This incentive was originally suspended due to a decline in General Fund revenues and subsequently suspended due to ongoing budget constraints.

The department notes that this suspension was extended from 2015-16 through 2016-17, in order for DCSS to reevaluate the incentive program and determine its relevance. DCSS states that federal and state laws already require the enforcement of medical support. LCSAs are already required to find alternatives to Medi-Cal without these incentives. Also, the implementation of the Affordable Care Act has further improved health care coverage for children. Because the payment to LCSAs has already been suspended for several years, there would be no impact to counties as this is the status quo.

Staff Comment and Recommendation. Hold open. No concerns have been raised to subcommittee staff at this time.

Questions.

1. Please provide a summary of the proposal.

5180 DEPARTMENT OF SOCIAL SERVICES – CHILD WELFARE SERVICES (CWS)

Issue 1: Overview

The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. The total funding for CWS is estimated to be approximately $6 billion for 2016-17, and $6.2 billion for 2017-18. The core of CWS is made up of four components:

- Emergency Response: Investigations of cases where there is sufficient evidence to suspect that a child is being abused or neglected.
- Family Maintenance: A child remains in the home, and social workers provide services to prevent or remedy abuse or neglect.
- 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.
- Other Placements: Provides permanency services to a child who is unable to return home and offers an alternative family structure, such as legal guardianship or independent living.

Caseload trends. There has been a significant decline in the foster care caseload over the last 10 years. Caseload has declined more than 39 percent from 71,662 in 2006-07, to 43,356 in 2015-16. The department attributes part of the caseload decline to prevention efforts for out-of-home care and back-end efforts for permanency placements.

Demographics of children in foster care. Research documents how children and youth, who experience foster care and those who emancipate from care, are at risk for challenges related to education, health, and mental health. As of October 1, 2016, across all placement types, 38 percent of youth have been in care for less than 12 months, 23 percent have been in care between 12 and 23 months, and 21 percent have been in care between 24 and 47 months, and 18 percent have been in care for more than 48 months.

The following table, based on October 2016 data from U.C. Berkeley[2] displays the percentage of ethnic or racial representation of a child in foster care by placement type.

Placement Type	Black	White	Latino	Asian/Pacific Islander	Native American
Pre-Adopt	18.3%	21.9%	57.0%	1.6%	1.1%
Kin	20.4%	20.8%	55.4%	1.9%	1.6%
Foster	20.2%	26.5%	50.3%	1.9%	1.2%
FFA	19.0%	23.9%	54.1%	2.0%	1.0%
Court Specified Home	16.4%	38.5%	41.0%	3.1%	1.0%
Group	32.3%	25.4%	39.3%	2.1%	1.0%
Shelter	18.2%	39.4%	34.3%	4.0%	4.0%
Non-FC	28.4%	21.2%	47.8%	2.2%	0.4%
Transitional Housing	32.0%	25.3%	38.9%	2.7%	1.1%
Guardian-Dependent	41.5%	11.8%	44.3%	1.5%	0.9%
Guardian-Other	29.4%	24.9%	40.6%	2.3%	2.9%
Runaway	24.5%	23.4%	48.8%	1.3%	2.0%
Trial Home Visit	12.0%	24.6%	58.3%	3.9%	1.2%
SILP	25.2%	22.7%	47.6%	3.3%	1.2%
Other	26.2%	23.0%	47.1%	1.6%	2.1%

Temporary placement types. Traditionally, there have been three major temporary placement types — a foster family home (FFH), foster family agency (FFA), or group homes:

- FFHs are licensed residences that provide for care up to six children. This placement type also includes relative caregivers. Under the Continuum of Care Reform (CCR), these families are known resource families.

[2] http://cssr.berkeley.edu/ucb_childwelfare/

- FFAs are private, nonprofit corporations intended to provide treatment and certify placement homes for children with higher level treatment needs. Under CCR, FFAs are also considered resource families.

- Group homes are licensed to provide 24-hour non-medical residential care in a group setting to foster youth from both the dependency and delinquency jurisdictions.

Under CCR, however, group homes are being phased out and Short-Term Residential Treatment Placements (STRTPs) replace them. As of January 1, 2017, group homes are no longer a placement option (subject to case-by-case exceptions that may allow them to continue to operate for a period of time). STRTPs will provide care, supervision, and expanded services and supports.

Additionally, FFAs and STRTPs will be required to ensure access to specialty mental health services and strengthen their permanency placement services by approving families for adoption, providing services to help families reunify, and giving follow-up support to families after a child has transitioned to a less restrictive placement. AB 403 (Stone), Chapter 773, Statutes of 2015, also requires FFAs and STRTPs to make educational, health, and social supports available.

Duration in placement and placement movements. According to the department's 2015-16 CWS Realignment Report, for the largest age group category, 13-17 years old, of the 4,737 children, the majority (45 percent) move out of group home placements in less than 12 months; longer stays (12-36 or more months) comprise the remaining 55 percent (2,619).

The foster youth in group home care will transition to alternative placements. In 2017-18, the department assumes that 115 group home placements will move to an intensive services foster care placement; 345 group home placements will move to an STRTP placement; and 515 group home placements will move to a family-based setting. The remaining 4,630 group home placements will not yet transition.

Below is a table for 2017-18, based on data from DSS, which shows caseload movement from group homes.

Table 3. HBFC Rate Caseload - Child Welfare Group Home Caseoad Movements.

		FY 2016-17 Caseload	FY 2017-18 Caseload	FY 2018-19 Caseload	FY 2019-20 Caseload	FY 2020-21 Caseload	Assumed Final Distribution
Total Child Welfare GH Caseload		3,637	3,638	3,637	3,637	3,638	
Total Current GH 1-9	*390*						
GH RCL 1-9 Shifting to TFC		-	-	17	19	19	9%
GH RCL 1-9 Shifting to STRTP		-	-	-	-	-	0%
GH RCL 1-9 Shifting to FFA		10	27	83	193	195	92%
GH RCL 1-9 Shifting to FFH/Relative		-	18	66	173	176	83%
GH not Shifting		380	345	224	5	-	0%
Total Current GH 10-12	*2,902*						
GH RCL 10-12 Shifting to TFC		-	67	247	430	435	28%
GH RCL 10-12 Shifting to STRTP		37	200	371	573	580	37%
GH RCL 10-12 Shifting to FFA		-	133	371	1,003	1,016	65%
GH RCL 10-12 Shifting to FFH/Relative		-	133	494	860	871	55%
GH not Shifting		2,865	2,369	1,419	36	-	0%
Total Current GH 14	*346*						
GH RCL 14 Shifting to TFC		-	8	15	51	52	28%
GH RCL 14 Shifting to STRTP		2	24	59	103	104	56%
GH RCL 14 Shifting to FFA		-	16	44	119	121	65%
GH RCL 14 Shifting to FFH/Relative		-	8	44	68	69	37%
GH not Shifting		343	290	183	4	-	0%

*Caseload values are rounded.

Licensing. The Community Care Licensing Division licenses facilities, including foster family homes, foster family agencies (who, in turn, certify individual foster families), and group homes. All facilities must meet minimum licensing standards, as specified in California's Health and Safety Code and Title 22 Regulations. Among those requirements, group homes must provide youth with direct care and supervision, daily planned activities, food, shelter, transportation to medical appointments and school, and at least a monthly consultation and assessment by the group home's social worker and mental health professional, if necessary, for each child. Currently, the department must visit all homes and facilities at least once every five years, with an additional random sample of 30 percent of homes and facilities each year. The 2015-16 Governor's budget included resources to improve regulatory oversight by increasing the frequency of inspections of Community Care licensed facilities throughout the state. Changes to inspection frequency for Children's Residential will go into effect in two stages. During Stage 1, beginning in January 2017, all children's residential homes and facilities will be inspected once every three years with an additional random sample of 30 percent of facilities. During the final stage, beginning in January 2018, all children's residential homes and facilities will be inspected once every two years with an additional random sample of 20 percent of facilities.

Performance measures and accountability. The federal Administration for Children and Families (ACF) conducts Child & Family Services Reviews (CFSRs) of states' child welfare systems, which include measures of outcomes related to the safety, permanency, and well-being experienced by children and families served. Round 2 of the CFSR was conducted in 2008 with the Program Improvement Plan (PIP) that was successfully completed in 2012. The state is currently in Round 3 of the CFSR. The statewide assessment was submitted in March of 2016. ACF issued the final report outlining their findings from the most recent review in January of 2017, and the report indicated that California did not meet any of the required outcome measures, and five of the seven systemic factors were not met. California is required to enter into a three-year PIP to address all areas of deficiency.

The Child Welfare System Improvement and Accountability Act also created a statewide accountability system that became effective in 2004. It includes 14 performance indicators monitored at the county-specific level and a process for counties to develop System Improvement Plans (SIPs).

Realignment. The 2011 public safety realignment and subsequent related legislation realigned child welfare services and adoptions programs to the counties, transferring nonfederal funding responsibility for foster care to the counties. In addition, over the last several years, the state increased monthly care and supervision rates paid to group homes, foster family homes, and foster family agency-certified homes, as a result of litigation.

Prior to the 2011 realignment, DSS estimated the costs associated with meeting federal and state requirements for the estimated numbers of children and families to be served as part of the annual budget process. Under the 2011 realignment, the total funding for CWS is instead determined by the amount available from designated funding sources (a specified percent of the state sales and use tax and established growth allocations) that are directed to the counties and corresponding matching funds. Both before and after realignment, certain CWS expenditures, including payment rates for care providers that are statutorily established, are provided on an entitlement basis.

Trailer bill provisions in 2012-13 additionally established programmatic flexibility that allows counties, through action by boards of supervisors after publicly-noticed discussion, to discontinue some programs or services that were previously funded with only General Fund, including clothing allowance and specialized care increments added to provider rates and Kinship Support Services programs.

Roles of the state and counties. DSS is responsible for oversight, statewide policy and regulation development, technical assistance, and ensuring federal compliance. Prior to realignment, the state was also at risk for the full costs of any federally-imposed penalties stemming from federal CFSRs. Under realignment, counties, whose performance contributed to an applicable penalty, must pay a share of the penalty if realignment revenues were adequate to fully fund the 2011 base, and if they did not spend a minimum amount of allocated funding on CWS.

Required reporting on realignment. Pursuant to SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, DSS must report annually to the Legislature on April 15 outcome and expenditure data, as well as impacts of CWS and Adult Protective Services program realignment. Reports must also be posted on the department's website. The 2016 Child Welfare Services Realignment Report[3] found the following:

- Child welfare practices of investigating referrals within policy timeframe continue to remain above state standards.
- There has been a significant decline in the foster care caseload. Caseload has declined more than 47 percent from 108,159 in 2000 to 57,266 in 2015.
- Between 2010 and 2015, the number of children for whom the first placement is with a relative/kin increased from 18 percent to 26 percent, while the proportion of children placed in group homes decreased from 16 percent to 13 percent.
- The proportion of children who entered foster care and subsequently exited to permanency due to guardianship, adoption or reunification within 12 months dropped from 40.9 percent in 2010 to 35.5 percent in 2014.
- The proportion of children re-entering foster care within a year increased form 11.1 percent in 2008 to 11.9 percent in 2013.

The department, which is currently drafting the 2017 Realignment Report, has shared that preliminary review of expenditure data for 2015-16 shows an increase in spending in both Transitional Housing Program (THP) and THP-Plus, whereas in prior years spending in these programs has decreased. Otherwise, they maintain that child welfare outcome indicator results remain consistent with previous reports.

Reports of Child Near-Fatalities. The federal Child Abuse Prevention and Treatment Act (CAPTA) requires that states receiving funds under CAPTA must disclose to the public findings and information about child abuse and neglect cases that result in fatalities or near fatalities. On December 8, 2015, the federal Administration for Children, Youth, and Families (ACYF) notified DSS of non-compliance with federal guidelines regarding public disclosure procedures in cases where a child dies or nearly dies as the result of abuse or neglect.

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[3] The full report can be accessed here:
http://www.dss.cahwnet.gov/cdssweb/entres/pdf/legislature/2016RealignmentReportOAB.pdf

California complied with these new requirements by enacting AB 1625 (Committee on Budget), Chapter 320, Statutes of 2016. Starting January 1, 2017, in addition to all fatalities, counties must both report the near fatality to DSS and publicly disclose a combination of case file documents and a case summary on the details of the near fatality and any child welfare services provided to the victim or the victim's family.

Recent policy and budget actions. Several policies and budget actions lay the groundwork for child welfare reform, including:

- **Extended foster care.** AB 12 (Beall), Chapter 559, Statutes of 2010, enacted the "California Fostering Connections to Success Act of 2010," which provides an extension for foster youth, under specified circumstance, to remain in care until age 21; increases support for kinship care (opportunities for youth to live with family members); improves education stability; coordinated health care services; provides direct child welfare; and, expands federal resources to train caregivers, child welfare staff, attorneys, and more.

- **Katie A.** The Katie A. vs. Bonta case was first filed on July 18, 2002 as a class action suit on behalf of children who were not given adequate services by both the child protective system and the mental health system in California. The suit sought to improve the provision of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California. Outcomes from the settlement agreement and implementation plan include the creation of the Core Practice Model; and the provision of Intensive Care Coordination, Intensive Home-Based Services, and Therapeutic Foster Care to eligible children.

- **Title IV-E Waiver.** Title IV-E is the major federal funding source for child welfare and related probation services. These funds, which were previously restricted to pay for board-and-care costs and child welfare administration, can be used to provide direct services and supports under the waiver extension. Since Title IV-E funding is based solely on actual cost of care, if a county's preventative services are effective and fewer children enter or stay in the foster care system, the county's Title IV-E funding is reduced. Thus, the county is penalized for reducing foster care placements, even though such a reduction is the most desirable outcome. The 2014-15 budget authorized the waiver extension for five years, beginning October 1, 2014. The nine participating counties include: Alameda, Butte, Lake, Los Angeles, Sacramento, San Diego, San Francisco, Santa Clara, and Sonoma.

- **Commercial Sexual Exploitation of Children (CSEC) Program.** SB 855 (Budget and Fiscal Review Committee), Chapter 29, Statutes of 2014, established the state CSEC program to enable county child welfare agencies to provide services to child victims of commercial sexual exploitation. The CSEC program was established as a county opt-in program. Shortly after the state program was enacted, federal CSEC legislation was enacted with statewide requirements.

  Last year, the Legislature provided an additional $5 million General Fund, for a total of $19 million for the CSEC program. These funds are being used to train county workers to better work with CSEC youth, develop interagency protocol to serve CSEC, provide prevention and intervention activities, and services such as training foster youth to recognize and avoid commercial sexual exploitation and engaging survivors, submitting county plans, and collecting data.

- **Relative Caregiver Funding.** Effective January 1, 2015, counties, who opt-in to the Approved Relative Caregiver (ARC) Funding Program, must pay an approved relative caregiver a per child, per month rate, in return for the care and supervision of a federally-ineligible Aid to Families with Dependent Children-Foster Care (AFDC-FC) child placed with the relative caregiver, equal to the base rate paid to foster care providers for a federally-eligible AFDC-FC child. To date, a total of 48 counties have opted in.

  With the CCR, however, ARC payment rates will be equal to the home-based family care rate basic level.

- **Bringing Families Home (BFH).** Created by AB 1603 (Chapter 25, Statutes of 2016), the BFH program is intended to reduce the number of families in the child welfare system experiencing homelessness, to increase family reunification, and prevent foster care placement. It is an optional state-funded program with a dollar-for-dollar county match requirement. County programs must utilize a Housing First model, including Rapid Rehousing or Supportive Housing. The 2016-17 Budget Act allocated $10 million that is available through June of 2019. DSS received interest from 23 counties with a total of $18.7 million requested to implement local BFH programs. Counties with the strongest BFH program plans will be contacted and asked to submit more detailed program information by early April 2017, and the funds will be allocated in mid-May.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview of the program, services, caseload trends, and proposed budget.

2. Please briefly discuss California’s Round 3 Child & Family Services Review and Program Improvement Plan.

3. Please provide an update on the CSEC program and discuss how additional funds from last year are being spent.

Issue 2: Budget Change Proposal: Full-year Costs for CWS Near-Fatality Case Reviews

Governor's Proposal. The Administration requests one permanent Staff Services Manager I and three Associate Governmental Program Analyst positions to address workload associated with the federal Child Abuse Prevention Treatment Act (CAPTA) requirements to review and disclose information relating to child near fatalities, and AB 1625(Committee on Budget), Chapter 320, Statutes of 2016.

Background. The federal CAPTA requires that states receiving funds under CAPTA must disclose to the public findings and information about child abuse and neglect cases that result in fatalities or near fatalities. CAPTA provides approximately $5 million funds annually for child abuse prevention activities. On December 8, 2015, the federal Administration for Children, Youth, and Families (ACYF) notified DSS of non-compliance with federal guidelines regarding public disclosure procedures in cases where a child dies or nearly dies as the result of abuse or neglect.

California was then required to submit a Program Improvement Plan (PIP) to comply with the new CAPTA requirements. Last year, the Legislature enacted AB 1625 which lays out the procedure for public disclosure of near fatalities, and satisfies the PIP requirement. However, the department notes that this legislation doubles the annual number of near fatalities cases reported to DSS, and requires additional staff time to review each incident. Currently, DSS has six staff performing this work for fatalities.

The department notes that these new resources will ensure compliance with the continued receipt of federal CAPTA funds, and will allow the department to analyze specific cases resulting in a child near fatality and identify specific areas where the county and state need to focus improvement strategies.

Staff Comment and Recommendation. Hold open. Staff notes that the request for staff to complete the work on near fatalities appears reasonable, and no concerns have been raised at this time.

Questions.

1. Please provide an overview of the proposal.

Issue 3: TBL – Approved Relative Caregiver (ARC) Program

Governor's Proposal. The Administration proposes to modify the ARC program consistent with implementation of the CCR.

Background. The ARC program allows counties to opt in to provide payments to federally ineligible relative caregivers of an amount equal to the foster care basic rate received by federally eligible relative caregivers of dependent children. Approved relatives in these counties receive a grant payment which consists of funds from CalWORKs, the state General Fund, and the county, if necessary. A total of 48 counties opted in and currently participate in the ARC program.

AB 1603 (Committee on the Budget) Chapter 25, Statutes of 2016, effective January 1, 2017, allows all relatives who are approved under the Resource Family Approval process in the CCR to receive an amount equal to the resource family basic rate, regardless of federal eligibility.

The department notes that this TBL will result in a cost of approximately $21.4 million General Fund for 2016-17, and $25.2 million for 2017-18.

Some advocates have pointed out that TBL should include funding for the dual agency rate and the infant supplement rate. These payments affect some of the most vulnerable foster youth populations: disabled youth ages 0-3 who also receive services from regional centers, and parenting teens and their infants, living with relatives. The department has been consistent in its message that ARC rates are meant to be equal among all categories, and it would make sense that these two rates, which appear to have been inadvertently left out, would be included in this TBL or in the May Revision. Advocates are currently in discussions with the department regarding these two rates, as well as a few other technical suggestions.

Staff Comment and Recommendation. Hold open. Staff recommends that the department work with advocates to address dual agency rate and infant supplement rate, as well as their technical suggestions, and expects hear back on these issues by the May Revision.

Questions.

1. Please provide an overview of the proposal.

2. Please discuss why the dual agency rate and infant supplement rate were not included last year, and whether the department intends to include them in this year's TBL.

Issue 3: Proposals for Investment

The subcommittee has received the following CWS-related proposals for investment.

- Child Care for Foster Children

Budget Issue. Los Angeles County, the County Welfare Directors Association, and others request $31 million to increase access to child care and enable a larger pool of families to become foster parents. Advocates cite the inability to access child care as a top barrier to finding placement for children removed from their parents due to abuse and neglect. This proposal includes three pieces: (1) Any resource family needing child care for children ages 0 through 3, would receive an immediate, time-limited voucher to pay for child care for up to six months following a child's placement at a cost of $22 million. (2) Funding of $4 million to support child care navigators through the county resource and referral agencies who work with the resource family to facilitate the use of the emergency voucher to ensure a foster child's immediate access to child care and continue to work with the family to facilitate placement. (3) Inclusion of $5 million to provide appropriate trauma-informed training for child care providers, with a trainer to cover every county.

Staff Comment and Recommendation. Hold open.

- Grants for Extracurricular Activities

Budget Issue. Assemblymember Acosta requests $15.3 million General Fund to provide grants of $500 or less to qualified foster youth to participate in extracurricular enrichment activities. The amount represents an estimate of 30,500 eligible foster youth receiving a maximum grant award.

Staff Comment and Recommendation. Hold open.

- Additional Foster Care Public Health Nurses (PHNs)

Budget Issue. SEIU requests $3.8 million General Fund (75% Federal Match for $15.4 million Total Funds) to hire an additional 96 PHNs to provide for the necessary oversight on foster youth on psychotropic medications. Last year's budget provided for an additional $6.6 million for PHNs; however SEIU claims this was not enough and PHN caseloads in some counties are still above the recommended amount of 200 foster youth to one nurse.

Staff Comment and Recommendation. Hold open.

- Funding for Medical Review of Psychotropic Medication Authorizations for Foster Youth

Budget Issue. National Center for Youth Law requests $80,025 General Fund (75% Federal Match for $320,100 Total Funds) to provide a centralized medical review service (through contracted services) of requests for authorizations of psychotropic medications for foster youth. Currently only 40% of counties have a process for reviewing authorizations. The position would be housed within the Department of Social Services.

Staff Comment and Recommendation. Hold open.

5180 DEPARTMENT OF SOCIAL SERVICES – CHILD WELFARE SERVICES (CWS)

Issue 1: Oversight – Continuum of Care Reform (CCR) Implementation

Governor's Proposal. The budget includes approximately $107.9 million General Fund in 2016-17, and $121.9 million General Fund in 2017-18 to implement various components of the Continuum of Care Reform (CCR) enacted by AB 403.

Below is a breakdown of this funding:

Continuum of Care Reform (CCR) Summary*

The CCR has costs listed in several sections in the budget tables. This chart provides a consolidated view of all of the costs included in the budget tables for FY 2016-17 and FY 2017-18 for the CCR.

(in 000's)

	2017-18 Governor's Budget					
	FY 2016-17			FY 2017-18		
Item	Total	Federal[1]	Non-Federal	Total	Federal[1]	Non-Federal
Home-Based Family Care Rate	$22,212	$1,117	$21,095[2]	$10,574	-	$10,574[3]
Foster Family Agency – Social Worker Rate Increase	$3,786	-	$3,786	-	-	-
Accreditation	$2,827	$1,414	$1,413	$2,827	$1,414	$1,413
Contracts	$10,485	$4,929	$5,556	$11,925	$5,650	$6,275
Second Level Administration Review	$29	$6	$23	$62	$12	$50
Child and Family Teams	$27,441	$5,423	$22,018	$54,399	$10,643	$43,756
Foster Parent Recruitment, Retention and Support	$54,729	$11,469	$43,260	$57,080	$13,913	$43,167
Automation	$500	$250	$250	-	-	-
RFA	$12,042	$4,012	$8,030	$24,904	$8,169	$16,735
SAWS	$6,101	$3,550	$2,551	-	-	-
CDSS Local Assistance Total	**$140,152**	**$32,170**	**$107,982**	**$161,771**	**$39,801**	**$121,970**

Note:
1 Federal Title IV-E funds are not included for the CDSS Title IV-E California Well-Being Project Counties, as federal funds for the Project are capped.
2 Includes $34,000 of county funds for Kin-GAP cases.
3 Includes $94,000 of county funds for Kin-GAP cases.

The table below provides a high-level summary of changes between the 2016-17 Budget Act and the 2017-18 Governor's budget:

Continuum of Care Reform (CCR)

Funding (In Millions)	FY 2016-17 Appropriation	FY 2016-17 Revised Budget	FY 2017-18 Governor's Budget	FY 2016-17 Change From Appropriation	FY 2017-18 Change From Appropriation
Total	$152.7	$140.2	$161.8	-$12.5	$9.1
Federal	$33.3	$32.2	$39.8	-$1.1	$6.5
State	$119.3	$107.9	$121.9	-$11.4	$2.6
County (Reimb.)	$0.1	$0.1	$0.1	$0	$0

Background. Significant research documents the poor outcomes of children and youth in group homes, such as higher re-entry rates into foster care, low high school graduation rates, and increased risk of arrest. These group homes are generally more expensive than family placements. The CCR began by trying to find solutions to these problems, but eventually broadened the effort into a more comprehensive set of system changes for the whole foster care system.

In 2012, the Legislature passed SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, which authorized the department to develop recommendations related to the state's current rate setting system, and to services and programs that serve children and families in the continuum of Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligible placement settings. In January 2015, the department released the report "California's Child Welfare Continuum of Care Reform", which listed recommendations to improve assessment of child and families to make more appropriate initial placement decisions; emphasize home-based family care; support placement with available services; change the goals for group home care placement; and, increase transparency for child outcomes. The Legislature subsequently passed AB 403, to implement the CCR, which codified the recommendations. Some of the main components of AB 403 are:

- Creation of Short-Term Residential Treatment Placements (STRTPs), which are intended to provided short term, therapeutic services to stabilize children so that they may quickly return to a home-based family care setting.

- Foster Family Agencies (FFAs) and STRTPs will be required to ensure access to specialty mental health services and strengthen their permanency placement services.

- Additional integration between child welfare and mental health services.

- FFAs and STRTPs are required to obtain and maintain accreditation from a nationally-recognized body in order to improve quality and oversight. CCR also calls for the development of publicly available FFA and STRTP performance measures.

- Resource Family Approval (RFA) is a new, streamlined assessment that replaces the existing multiple approval, licensing, and certification processes for home-based family caregivers.

- The required use of child and family teams (CFTs) in decision-making.

- The creation of a new, comprehensive strengths and needs assessment upon entering the child welfare system in order to improve placement decisions and ensure prompt access to supportive services.

- New Home-Based Family Care rate structure, which is based on child need, which is based on a Level of Care (LOC) tool.

Placement costs

Prior to CCR, group home facilities were organized under a system of rate classification levels (RCLs) ranging from 1-14 that are based on levels of staff training and ratios. In practice, a majority of group homes were RCL 10 and above, with nearly 50 percent of groups homes at RCL 12. As of 2015-16, group home placements constituted 13 percent of foster care placement and represented 48 percent of total foster care costs. Group home rates were based on the level of care and services provided, ranging from $2,332 to $9,879 per month.

Reimbursement rates for 14 separate group home levels will be replaced by a new set of rates that is based on the needs of the child, which will be determined by a still-in-development assessment tool to be used by county social workers and child and family teams, unlike the previous structure which centered around the age of the child. These new rates are intended to reflect the expanded set of responsibilities of STRTPs and FFAs under CCR.

With the passage of the 2016-17 budget, the Legislature approved the Administration's proposed Home-Based Family Care (HBFC) Rate structure on an interim basis shown below:

Continuum of Care Reform (CCR) Summary*

Home-Based Family Care Rate Structure

Based on Level of Care (LOC)

	Basic Level	LOC-2	LOC-3	LOC-4
A Pay to Resource Family for Basic Rate				
Basic Rate	$889	$989	$1,089	$1,189
B Pay to Foster Family Agency				
Basic Rate	$889	$989	$1,089	$1,189
Social Worker	$340	$340	$340	$340
Social Services & Support	$156	$200	$244	$323
RFA	$48	$48	$48	$48
Administration	$672	$672	$672	$672
Total	**$2,105**	**$2,249**	**$2,393**	**$2,572**

C Pay to Resource Family for Intensive Services FC (ISFC)	
ISFC Rate	$2,321
Pay to Foster Family Agency including ISFC Administration	
ISFC Administration	$3,482
ISFC Social Services & Support	$200
Total	**$6,003**
D Pay to Short-Term Residential Therapeutic Program (STRTP)	
STRTP Rate	$12,036

E Pay to Foster Family Agency or Community Based Organizations for Services Only	
Total Rate	**$771**

The FFA rate is separated into two components. The first goes to the family caregiver as an assistance payment, and the second goes to the FFA for administrative and social work activities. Similarly, the Therapeutic Foster Care (TFC) model divides the TFC rate into two components, one of which is paid to the TFC caregiver and the second which is paid to the FFA for administrative and supportive services.

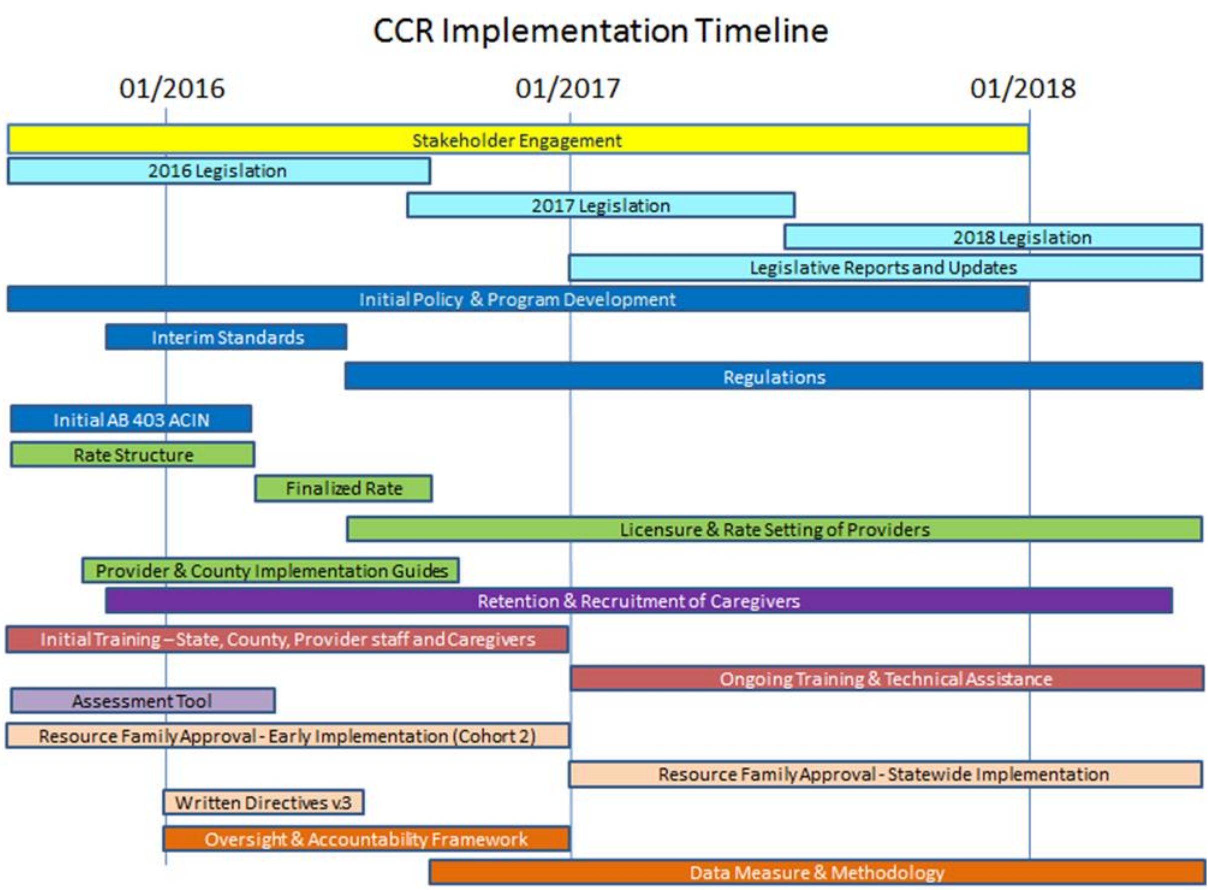
CCR also allows counties to pay FFAs to provide services to children who are not placed in FFAs, allowing children in relative and county-approved homes to access supportive services if the county chooses to provide funding. The rates paid to FFAs to provide these services are called the FFA services only rates.

Implementation Update.

Several components of CCR were implemented on July 1, 2015, including the foster family agency social worker rate increase and foster parent recruitment, retention, and support activities for resource families and foster parents. Accreditation of STRTPs and FFAs, and the RFA process in thirteen counties, began on July 1, 2016.

Other implementation activities of the CCR have been split into Phase I and Phase II. Phase I began to implement January 1, 2017, and includes the basic level of the rate paid to families and the series and supports components of the FFA payment, the utilization of CFTs, and the remainder of counties beginning to use the RFA process. Phase II is slated to implement on July 1, 2017, and includes all LOCs of the HBFC rate structure.

However, implementation is an ongoing, evolving effort that will take at least several years to fully and successfully roll out all components. The department has provided the following timeline of implementation activities:



The department, in accordance with supplementary reporting language included in the 2016 Budget Act, has been providing Legislative staff with monthly, and now quarterly updates, on the progress of CCR implementation. Below are the latest updates on the various CCR components:

- The CFT Process. CFT tracking will add documentation functionality in the Child Welfare Services/Case Management System by Spring/Summer 2017. The functionality will allow social workers and probation officers to enter the name of the lead agency, CFT meeting frequency, team membership, key roles, and other pertinent information. These fields become mandatory when the CFT has been selected as a service type. The additional CCR funded CFTs began January 1, 2017. DSS is also working with CFT specialists to develop a state approved CFT curriculum, has developed brochures on the CFT process to inform youth, parents, and professionals, and has partnered with the Resource Center for Family-Focused Practice at UC Davis to conduct statewide trainings for social workers, probation officers, behavioral health staff, and educators.

- Assessment Tool Pilot. The department is piloting two different assessment tools: TOP and CANS. TOP is being piloted in Los Angeles, Tuolomne, San Diego, Fresno, and San Joaquin. CANS is being piloted in San Francisco, Shasta, and Humboldt. A four-month evaluation of these pilots is scheduled to begin in March and will be completed by June. The department has built in costs in the budget for whichever assessment tool is ultimately chosen.

- LOC Protocol. The Foster Care Audits and Rates Bureau is continuing to work with stakeholders in developing a LOC protocol tool which is designed to assist rate determinations and placement decisions, and to be paired with the assessment tool.

- RFA. The RFA program was enacted into law as a pilot program and was reauthorized as an early implementation program with statewide implementation in 2012. In 2015, RFA was expanded and mandated for all counties as part of CCR implementation effective January 1, 2017.

  Families who have gone through the RFA process in the early implementing counties were invited to participate in a satisfaction survey. Generally, respondents were satisfied with the RFA process, but many identified the length of the process as an issue. Through conversations with counties and case file reviews by DSS, the department has determined that many factors affect the timeframes to approve resource families, and have begun the process of ameliorating these along with counties to provide technical assistance to reduce delays.

- Foster Parent Recruitment Retention and Support (FPPRS). From January 1, 2016 to June 30, 2106, the department notes that 2,295 new non-relative foster caregivers were contacted and engaged; 7,195 potential relative/non-relative extended family members were identified by counties; approximately 3,177 children were affected by FPPRS activities and assisted in placing children in less-restrictive settings, and/or stepping down children from group homes to family-like placements; and approximately 1,487 children were assisted in achieving permanency by FPPRS activities. Below is a chart showing the top ten uses for FPPRs funds for counties in 2015-16.

ALL (CW/PROB)	CHILD WELFARE	PROBATION
1. Caregiver Support	1. Caregiver Support	1. Caregiver Support
2. Caregiver Training	2. Recruitment Outreach	2. Caregiver Training
3. Placement Support Staff	3. Caregiver Training	3. Recruitment & Outreach
4. Recruitment & Outreach	4. Initial Placement Support	4. Wraparound
5. Initial Placement Support	5. Placement Support Staff	5. Initial Placement Support
6. Family Finding Support & Staff	6. Concrete Support	6. Concrete Support
7. Family Finding & Other Databases	7. Marketing	7. Family Finding Support & Staff
8. Concrete Support	8. Family Finding & Other Databases	8. Staff Training
9. Marketing	9. Normalizing Activities	9. Normalizing Activities
10. Normalizing Activities	10. Respite care	10. Family Finding & Other Databases

- Mental Health. DSS and DHCS have committed to work together to develop a "road map" for accessing Specialty Mental Health Services (SMHS) through county Mental Health Plans, and non-specialty services through Managed Care Plans or the Fee-For-Service system. DSS and DHCS are also working together to produce reports on SMHS utilization on a quarterly basis, which includes status updates on the capacity of all involved providers to provide mental health services. The Subcommittee has requested that the departments provide a high level narrative of the roles of DSS and DHCS in the CCR processes related to mental health, and a timeline of what goals and benchmarks both departments are considering as important to the success of CCR as implementation continues.

Automation. Various changes to the Child Welfare Services/Case Management System (CWS/CMS) and licensing systems are required to implement CCR, including what is necessary for the automation of foster care payments. These changes will be discussed in more detail in the Subcommittee No.3 hearing on April 20, 2017. Below is a chart reflecting these changes.

System	Current Status	Next Step	Next Step Due Date	Completion
CWS/CMS	Business requirements are being developed for an expedited release April 1 which will add the four levels of home based family care rates into the system as well as information for general documentation of CFTs	Concurrently working on the sizing for a July 2017 released	April 1, 2017	
LIS/FAS	Working on items that were not priority for Jan 1, 2017	Preparing for the addition of the Temporary Care Shelter Facility; cleaning up minor issues	April 1, 2017	
FFA web app	In production. Made four additional changes requested for the Web app. A warning page was added to alert people to be make the correct choice between resource family home and county licensed home.	Cleaning up minor issues;		
SAWS	Phase 1 has been completed and implemented in all three of the SAWS	Workgroups are ongoing to finalize the policy for Phase 2 automation and implementation. All SAWS are working to program the system changes	December 2017	
LAARS	County and other user testing of the updated database is occurring and will continue through late February.	An ACIN is in development regarding the new policies for uploading RFA Notice of Actions	April 1, 2017	
Administrator Certification System	New program type was added to demographics. 95% done with the coding	Currently testing	March 15, 2017	

Advocate Concerns. Some stakeholders have raised concerns that the interim rates for FFAs as proposed to be implemented in Phase II are inadequate to provide the core services required by AB 403, and that there is an overall lack of funding to support the permanency goals of the CCR.

Panel. The Subcommittee has requested the following panelists, in addition to the Department of Social Services, the Department of Health Care Services, the Department of Finance, and the Legislative Analyst's Office, to provide comment on the implementation of the CCR and discuss concerns raised by advocates:

- Cathy Senderling, County Welfare Directors Association of California
- Kirsten Barlow, County Behavioral Health Directors Association of California
- Susanna Kniffen, Children Now
- Carol Schroeder, California Alliance of Child and Family Services

Staff Comment and Recommendation. Hold open. Given the split of implementation of the rates into Phase I and Phase II and how early we are in implementation of other components of the reforms, it is still too soon to have a full picture of just how CCR is implementing and whether it is achieving its goals. Despite the delay, it would seem that the department is taking its time to ensure that current implementation is going smoothly in the meantime, and quarterly briefings to the legislative staff are helpful. However, concerns that stakeholders raise may be valid, and may require more time to evaluate. The Legislature should continue to monitor and oversee CCR as it implements more fully. In particular, access to mental health services is critical to the success of the CCR, and DSS and DHCS should continue to work closely together in order to provide the smoothest transition for foster youth and deliver on the promises of CCR.

Questions.

1. Please provide a brief overview of CCR and an update on current implementation.

2. Please discuss the delay in full implementation of the rate structure and why implementation has been split into two phases.

3. How are implementation activities affecting caseload and budgeting assumptions moving forward?

4. Please provide an update on the development of the Level-of-Care tool, and walk through how it will work with the rate structure. When can the Legislature expect to see a final tool?

5. How will the department take into consideration stakeholder concerns about rates? Will there be a more formal conversation on permanent rates if there is enough concern about interim rates once implemented, and how will the Legislature and stakeholders be included?

6. When do you anticipate having more information on CCR related costs and savings, as outlined in SRL?

7. Please provide an update on how mental health is integrating with CWS under CCR. How is DHCS tracking whether mental health services are being provided to all children who need these services?