Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

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9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

PUBLIC COMMENT

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5180 DEPARTMENT OF SOCIAL SERVICES – CHILD CARE AND DEVELOPMENT

Issue 1: Child Care Rate Reform Update

The Subcommittee has requested the following individuals to take part in a panel discussion on progress towards child care rate reform:

- Kim Johnson, Director, Director, Department of Social Services
- Kimberly Rosenberger, Child Care Provider's Union
- Christina Garcia, Parent Voices
- LaWanda Wesley, Director of Government Relations, Child Care Resource Center, Early Care and Education Coalition
- Jackie Barocio, Legislative Analyst's Office

Background. California provides child care subsidies to some low-income families, including families participating in CalWORKs. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation ($82,102 annual income for a family of three and $95,289 for a family of four); and (3) children must be under the age of 13. The following chart, provided by the Legislative Analyst's Office (LAO), summarizes the state's major child care programs:

State's Major Child Care Programs

Program	Payment Type	Key Eligibility Requirements
CalWORKs Child Care	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are available for all eligible children.
Alternative Payment	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.
General Child Care	Direct contract	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.

Source: Legislative Analyst's Office

Funding. The Department of Social Services (CDSS) provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. Beginning in 2022, the RMR was set to the 75th percentile of the 2018 RMR survey. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDSS or the Department of Education (CDE), depending on the type of program. Prior to 2022, these programs received the same reimbursement rate (depending on the age of the child), regardless of where in the state the program was located, known as the Standard Reimbursement Rate (SRR). The rate was increased by a statutory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. Beginning in 2022, these programs receive the higher of the current RMR or the SRR as part of an effort to transition providers to one rate system. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of vouchers and fixed funding amount for slots, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California, allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. In 2021, Child Care Providers United - California (CCPU) and the state negotiated their first Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers. The 2021 Budget Act included ratification of the CCPU - California bargaining contracts, which included rate increases, provider stipends, hold harmless policies, and a variety of other supports. In addition, the contracts included a process for continuing conversations through Joint Labor Management Committees on a single reimbursement rate system, and other provider needs such as retirement, and healthcare, among other topics. The CCPU is currently in negotiations with the Administration for a contract beginning in Fiscal Year 2023-24.

Recent Investments in Child Care Rates. The 2021 Budget Act provided $604 million in 2021-22 ($1.1 billion ongoing) across several fund sources to increase rates for child care and preschool providers.

Starting July 1, 2021, direct contract providers received a 4.05 percent cost-of-living adjustment. Effective January 1, 2022, all child care and preschool provider rates were adjusted to the higher of their current rate or the equivalent of the 75th percentile of the 2018 regional market rate survey rate as determined by CDSS (or by CDE for California State Preschool Programs.)

The 2021 Budget Act included one-time funding available to allocate temporary supplemental rates to providers from January 1, 2022 through December 31, 2023, including:

- $289 million in one-time funds for CCPU providers.
- $188 million in one-time funding for center-based providers.
- $27.5 million in one-time funding for administrative costs for providing supplemental payments. (Added in SB 116, (Committee on Budget and Fiscal Review), Chapter 5, Statutes of 2022).
- $47.7 million in one-time funding (including administrative costs) for non-CCPU voucher providers. (Added in SB 115 (Skinner), Chapter 2, Statutes of 2022).

The 2022 Budget Act included $413 million to annualize increases in child care funding rates from the 2021-22 Budget Act and cost-of-living adjustments to the Standard Reimbursement Rate of $136 million General Fund for child care programs. The 2022 Budget Act also included the following investments related to child care rates:

- $100.2 million General Fund for CCPU agreements for providing health care and other benefits.
- $136 million one-time federal funds to extend family fee waivers through 2022-23 and extend hold harmless policies.
- $354 million in remaining federal funds for child care stipends.
- $20 million in one-time General Fund for Alternative Payment Program administrative needs.

These investments in child care rate increases and stipends are in addition to other historic investments in the state's child care system, including investments to serve 200,000 more children by 2025-26 by increasing child care slots, which is discussed in Issue 2 of this agenda.

Family Fees. Prior to 2021, families enrolled in subsidized child care in California were required to pay fees, which vary by family size and income. For example, a family of four with annual income of $48,000 would pay $104 a month for full-time child care (or $52 a month for part-time child care), while a similarly sized family with annual income of $60,000 would pay $356 a month for full-time child care (or $178 for part-time child care).

As part of the ongoing pandemic response, the state waived family fees through 2021-22 and again through 2022-23 and backfilled the cost to providers. This policy provided additional support to low-income families as pandemic-related health and economic costs impacted families. Stakeholders have been requesting changes to the family fee structure for some time to limit the impact to low-income families. Families enrolled in child care will face an increase in costs when family fees return in 2023-24.

Child Care Rate Reform. Pursuant to the 2021-22 budget, CDSS, in consultation with CDE, convened a Rate Reform and Quality Workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs, informed by evidence-based elements that best support child development and positive child outcomes. This workgroup included CCPU, teacher and administrator representatives of state-funded center-based contractors for both preschool and infant-toddler settings, child development experts, parent representatives, a Head Start representative, an alternative payment program agency representative, and representatives of the Administration.

CDSS convened a series of meetings of the Rate and Quality Workgroup between January and August of 2022. The workgroup produced their final report on August 15, 2022. The vision of the workgroup is "a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children." The workgroup identified four core recommendations, which are detailed in the full report:

1. Ensure equity is foundational to all change. Work toward equity as an outcome and implement equity as a process.

2. Replace the current methodology of using a market price survey to set rates with an alternative methodology, which uses cost estimates/models to set base rates to compensate early learning and care programs. The costs of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.

3. Create a single rate structure that specifies base rates and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.

4. Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Additionally, the Rate and Quality Workgroup recommended a three-stage implementation process:

Stage 1. Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.

Stage 2. Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.

Stage 3. Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments.

In addition, the Rate and Quality Workgroup delivered a study recommending a cost estimation model to calculate the cost of child care in California, which could form the foundation of the alternative methodology. The cost estimation model included a series of default scenarios, informed by a series of variables and cost drivers aligned with the Workgroup's recommendations, for each provider type: child care center, small family child care home, large family child care home, and family, friend, and neighbor care.

In November 2022, the Joint Labor Management Committee (JLMC) presented their recommendations for a single rate reimbursement structure to the Administration. The JLMC recommends moving away from the current structure that relies on the RMR and towards a single rate structure that reflects the actual cost of care. This single rate will be based on (1) an alternative methodology that considers a cost estimation model; (2) base rates; (3) incentives/enhancement rate-setting metrics; and (4) evaluation of the rate structure. The alternative methodology will include a base rate that providers receive for meeting current statutory and regulatory program standards, depending on program type.

Governor's Budget. The Governor's proposed 2023-24 budget expresses intent to develop a single rate reimbursement structure for child care programs. This rate structure will be informed by recommendations of the Joint Labor Management Committee (JLMC), consisting of the state and Child Care Providers United (CCPU), and the Rate and Quality Workgroup convened by CDSS. The budget also expresses intent to continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

The Governor's proposed 2023-24 also includes $303 million General Fund to apply an 8.13 percent cost-of-living (COLA) increase to certain child care programs. As noted by the LAO, the effect of the COLA varies on the type of child care program. For direct contract providers receiving the SRR, the COLA will function as a rate increase, but will function differently for other types of child care programs.

Recent progress towards rate reform. On March 28, 2023, CDSS submitted a letter seeking federal approval from the Administration for Children and Families (ACF) for California to use a cost-based alternative to the Regional Market Rate methodology. According to CDSS, the alternative methodology process will be a rigorous process that includes (1) significant constituent engagement, (2) multi-method data collection with the child care and early learning workforce and programs, (3) the development of a cost estimation model, (4) creation of scenarios to illustrate the variations in the true cost of care, and (5) policy development with an equity focus and a rate setting process, using the cost model results to inform rates. CDSS has contracted with national experts, Prenatal to Five Fiscal Strategies, to design and implement the proposed alternative methodology approach. This is the same organization that worked with the Rate and Quality Workgroup in 2022 to build a statewide cost model.

Stakeholder proposal. The Early Care and Education Coalition (ECE Coalition) proposes several changes to the child care rate structure and family fees, totaling $2.5 billion ongoing (rates) and $159.8 million ongoing (family fee schedule.) This proposal includes:

- Rate increase: a 25 percent rate increase for all programs as a down payment toward rate reform.

- Rate reform: moving to a singular rate structure that reimburses providers based on the average cost of providing care to children versus a rate structure based on what families in the region pay for care.

- Adopt a new family fee schedule but waive family fees until the Legislature adopts the new fee schedule.

According to the ECE Coalition, "Beyond the current rates, both the Regional Market Rate (RMR) and the Standard Reimbursement Rate (SRR) methodologies have serious flaws. The SRR is based on a rate adopted 40 years ago and has not kept pace with our changing program requirements or business costs. While the RMR is based upon local information, the survey's design perpetuates inequalities, with our lowest-income communities receiving artificially low reimbursement rates that do not cover the cost of care. The shift to a new rates system, including enrollment based rates, ensures providers set costs are covered… developing a new family fee structure is an anti-poverty solution to promote family stability and support whole-family wellness."

Subcommittee Staff Comment. Informational Item. No action is needed.

Staff notes that while the Governor's proposed 2023-24 budget expresses intent to adopt an alternative methodology for child care rates, the budget does not include rate reform. Instead, the Governor's budget includes a COLA which will function as a rate increase but only for direct contract providers receiving the SRR. The department's recent request to the federal government for approval to shift to an alternative methodology for setting child care rates demonstrates that the state is moving to implement the approach recommended by the department's Rate and Quality Workgroup, the JLMC, and many stakeholders. However, it is not clear exactly what the time frame is for the many elements involved in adopting an alternative methodology, including the federal approval process, and how this process fits into the 2023-24 budget cycle.

The top issue for child care providers continues to be reimbursement rates. Stakeholders note that while many providers saw increases in rates as of January 1, 2022, as a result of the 2021 Budget Act, the actual costs of providing care and the rising impacts of inflation continue to outstrip reimbursement rate funding across much of the state. Higher rates allow providers to retain and pay their workforce, cover administrative and other fixed costs, increase quality of care, and support expansion to meet family and state needs. In order to continue stabilizing providers in the face of rising costs, one-time stipends were provided using federal American Rescue Plan Act funds. Rates are an issue currently subject to CCPU collective bargaining; however, for the stability of the system, rates need to support non-CCPU providers as well. With pandemic-era stipends coming to an end, rate increases are necessary to maintain progress in funding providers.

In addition to investments in rate increases, the Legislature and Governor have made historic investments in increasing subsidized child care slots, with the goal of creating 200,000 new child care slots by 2025-26. The LAO notes that there have been delays in allocating slot funding to serve additional children. Child care providers, similar to various other low-wage industries, report continued issues with staffing. Providers note difficulties hiring and retaining qualified staff, making it more difficult for the industry to recover from the pandemic. The child care industry faces additional pressures due to significant expansions in the K-12 education space – the expansion of transitional kindergarten to all four-year-olds and the creation of the Education Learning Opportunity Program (ELOP), a statewide afterschool program. Both of these expansions require significant increases in staff that require similar or related experience as the child care workforce. Child care rates and slot expansions are interconnected issues. Filling all of the new slots provided in the 2021 Budget Act is dependent on the ability of providers to recruit and retain teachers to serve additional children as part of this expansion; low rates continue to be a barrier to the sustainability of this workforce.

The LAO notes that as a result of delays in allocating slot funding, overestimation of COLA costs, and unspent federal relief funds, there are likely significant current-year savings in the Governor's proposed 2023-24 child care budget. One-time savings could be directed towards a variety of purposes, such as an across-the-board rate increase to all child care providers, reducing the gap between the RMR and SRR, or redirecting funds to other child care purposes; however ongoing funding is needed to maintain stabilizing increases into the future. Staff also notes that California is expected to receive increased federal funding from the federal Child Care and Development Block Grant (CCDBG).

Lastly, staff notes that the CCPU is currently in negotiations with the Administration for a contract beginning in Fiscal Year 2023-24.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please describe the department's approach and progress towards shifting from the current Regional Market Rate methodology to a single rate structure for child care, including the recent approval request submitted to ACF.

2. What is the department's timeframe to implement an alternative methodology? Will the department propose any changes to the 2023-24 budget as part of the alternative methodology process the department is pursuing with the federal government?

3. Please provide a description of increased federal funding available through the federal Child Care and Development Block Grant, and how that funding may be allocated.

4. How does the department expect the return of family fees on July 1, 2023 will impact low-income families in need of child care? What options are available for modifying family fees, consistent with federal requirements?

Issue 2: Child Care Overview

Governor's Budget. The Governor's proposed 2023-24 budget includes $5.9 billion ($2.7 billion General Fund) for child care and development programs. Major changes to the child care budget include:

- **Cost-of-Living Adjustment (COLA).** The proposed budget includes $301.7 million General Fund for Child Care and Development Programs and $1.5 million for the Child and Adult Care Food Program to support an 8.13 percent COLA.

- **Delay of 20,000 new child care slots.** The Governor proposes to delay the implementation of 20,000 child care slots, slowing California's progress towards the goal of 200,000 new subsidized child care slots by 2025-26.

- **Child Care Rates.** The January proposal expresses intent to develop a single rate reimbursement structure for child care programs. This rate structure will be informed by recommendations of the Joint Labor Management Committee (JLMC), consisting of the state and Child Care Providers United (CCPU), and the Rate and Quality Workgroup convened by CDSS. The budget also expresses intent to continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

The Governor's Budget for 2023-24 represents a net decrease of $528.1 million. This decrease reflects the expiration of federal COVID-19 relief funding for policies including family fees, hold harmless, and supplemental rates, offset by a COLA increase of 8.13 percent. The chart below, provided by the LAO, captures key COVID-19 relief activities set to expire on June 30, 2023:

Key COVID-19 Relief Activities Set to Expire on June 30, 2023

(In Millions)

Policy	2022-23 Costs
Child care relief stipends	$320
Supplemental rates	184
Family fee waivers	136
Reimbursement flexibility for voucher-based providers	108[a]
Resource and Referral Capacity Support	5[b]
Licensing incentive	2
Total	$755

[a]Reflects costs to pay voucher-based program providers based on the maximum certified hours of care for the child and costs for the COVID-19 non-operational days policy.

[b]Reflects net amount of COVID-19 federal relief funds that will not be backfilled with General Fund in 2023-24 and ongoing.

Source: Legislative Analyst's Office

The chart below, provided by the Legislative Analyst's Office, summarizes the Governor's 2023-24 child care budget:

Child Care Budget

As Reflected in 2023-24 Governor's Budget (In Millions)

	2021-22 Revised[a]	2022-23 Revised[b]	2023-24 Proposed[b]	Change From 2022-23	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$381	$518	$524	$6	1.2%
Stage 2[c]	290	314	364	50	16.1
Stage 3	643	636	606	-30	-4.7
Subtotals	**($1,314)**	**($1,467)**	**($1,494)**	**($27)**	**(1.8%)**
Non-CalWORKs Child Care					
Alternative Payment Program	$1,252	$1,866	$2,101	$234	12.5%
General Child Care[d]	750	1,750	1,960	210	12.0
Bridge program for foster children	54	97	115	18	18.7
Migrant Child Care	65	69	75	6	8.1
Care for Children With Severe Disabilities	2	2	3	—	8.1
Subtotals	**($2,123)**	**($3,784)**	**($4,252)**	**($468)**	**(59.4%)**
Support Programs	**$1,443**	**$2,139[e]**	**$842**	**-$1,297**	**-60.6%**
Totals	**$4,881**	**$7,390**	**$6,588**	**-$802**	**-10.9%**
Funding					
Proposition 98 General Fund[f]	$2	$2	$2	—[g]	8.1%
Non-Proposition 98 General Fund	1,671	2,835	2,729	-$106	-3.7
Proposition 64 Special Fund	295	292	292	—	—
Federal	2,914	4,261	3,564	-697	-16.3

[a] Reflects administration's revised estimates for CalWORKs Child Care and budget appropriation for all other programs.

[b] Reflects *2023-24 Governor's Budget* estimates.

[c] Does not include $11.1 million provided to community colleges for certain child care services.

[d] Includes family child care home education networks.

[e] Includes cost estimates for child care infrastructure; Child and Adult Care Food Program; and AB 131, AB 185, SB 116 supplemental rates.

[f] Reflects Proposition 98 funds for Child and Adult Care Food Program.

[g] Less than $500,000.

Background. Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Commencing July 1, 2021, the administration of state child care programs, with the exception of the California State Preschool Program, has transitioned from the Department of Education (CDE) to the Department of Social Services (CDSS).

Most of the state's subsidized child care is administered by CDSS through three programs: (1) California Work Opportunity and Responsibility to Kids (CalWORKs) child care, (2) the Alternative Payment (AP) program, and (3) General Child Care (GCC). These programs have different eligibility requirements and payment models. CalWORKs child care programs focus on families enrolled in or transitioning out of CalWORKs. The remaining programs are primarily designed for low-income, working families that have not participated in CalWORKs. Families are eligible for subsidized child care if they have a family income of less than 85 percent of the state median income ($82,102 annual income for a family of three and $95,289 annual income for a family of four).

Funding. As described in Issue 1 of this agenda, California subsidizes child care for low-income families through voucher programs and direct contracts. In the voucher program, the state funds administering agencies (known as Alternative Payment programs) or county welfare departments, who pay providers on behalf of eligible families. For general child care providers, the state contracts directly with child care providers to serve a specified number of eligible children. Child care costs are split between the federal and state government; federal funds primarily consist of Temporary Assistance for Needy Families (TANF) funds and Child Care and Development Fund (CCDF) funds. The state's share of cost are primarily funded with General Fund, and some Proposition 64 revenue.

Child Care Licenses and Closures. The chart below, provided by CDSS, shows child care licenses and closures since the start of the pandemic. According to this data, 8,692 child care providers closed since March 1, 2020. While many new licenses have been granted since 2020, the state has still experienced a net loss of child care facilities and slots.

CCL Child Care Licenses and Closures				
As of June 30, 2022				
	Small Family Homes	Large Family Homes	Child Care Centers	Total
Open and Operating[a]				
Facilities	13,224	12,354	14,462	40,040
Slots	105,324	172,042	781,662	1,059,028
Temporarily Closed[b]				
Facilities	N/A	N/A	N/A	N/A
Slots	N/A	N/A	N/A	N/A
Permanently Closed Since March 1, 2020[c]				
Facilities	4,968	2,156	1,568	8,692
Slots	39,504	29,950	72,814	142,268
New Licenses Since June 1, 2020				
Facilities	4,822	1,381	1,382	7,585
Slots	38,474	19,332	61,372	119,178

a) Represents a snapshot of open and operating facilities as of 6/31/2022 and excludes licensed facilities that are inactive or temporarily closed.
b) There are no longer any temporarily closed facilities. Facilities that chose to remain temporarily closed were transitioned to formal inactive status.
c) Permanent closures include closures due to a change of ownership or location.
Data Source: Community Care Licensing

Previous Budget Actions. The 2021 Budget Act included significant investments in child care, including:

- **Additional Slots.** The 2021 Budget Act included approximately $783 million in 2021-22 ($1.6 billion ongoing) across state and federal fund sources to provide additional 120,000 slots for child care, and a multi-year agreement to add 80,000 child care slots by 2025-26 for a total of 200,000 additional child care slots.

- **Increased Rates for Child Care and Preschool Programs:** $604 million in 2021-22 ($1.1 billion ongoing) across several fund sources to increase rates for child care and preschool providers.

- **Supplemental Rate Funding for Providers:** one-time funding available to allocate temporary supplemental rates to providers from January 1, 2022 through December 31, 2023. More detail on supplemental rate funding is included in Issue 1 of this agenda.

- **Infrastructure Grants:** $250 million one-time funding for the Child Care and Development Infrastructure Grants Program, providing resources to build new facilities or retrofit, renovate, repair, or expand existing facilities, with a focus on child care deserts.

The 2022 Budget Act included significant investments in child care, including:

- **Child Care Rates and Slots**. The 2022 Budget Act implemented the 2021-22 budget agreement and included an increase of $1.09 billion to annualize the 2021-22 Budget Act's 120,000 new slots and further increase child care program access to 145,000 slots, with the continued goal from the 2021-22 Budget Act to serve 200,000 more children by 2025-26. In addition, the budget included $413 million to annualize current year increases in child care funding rates, from the 2021-22 Budget Act. The budget included cost-of-living adjustments to the SRR of $136 million General Fund for child care programs.

- $100.2 million General Fund for CCPU agreements for providing health care and other benefits.

- $100.5 million federal funds for child care facility renovation and repair.

- $136 million one-time federal funds to extend family fee waivers through 2022-23 and extend hold harmless policies.

- $354 million in remaining federal funds for child care stipends.

- $20 million in one-time General Fund for Alternative Payment Program administrative needs.

- $2 million General Fund for alternative care and 16 additional non-operative days for state subsidized child care programs.

Child Care Slots. The 2021 Budget Act included an historic agreement to add 200,000 new subsidized child care slots by 2025-26. The budget package included approximately $783 million in 2021-22 ($1.6 billion ongoing) across state and federal fund sources to provide additional 120,000 slots for child care (inclusive of essential worker slots). Slots are spread across the Alternative Payment Program, General Child Care, and Migrant Child Care. The budget package included a multi-year agreement to add 80,000 child care slots by 2025-26 for a total of 200,000 additional child care slots. Since 2021-22, the state has added approximately 146,000 new slots (from about 108,000 to about 254,000), more than doubling the number of subsidized slots in California.

Governor's Budget Delays 20,000 new slots in 2023-24. The Governor's budget proposes to delay the planned child care slot increases by one year, resulting in $134 million in General Fund savings in 2023-24. The administration intends to resume adding new slots in 2024-25, reaching the overall 200,000 new slots goal by 2026-27 instead of 2025-26.

Given the magnitude of the slot expansion, the allocation of funding for the expansion of child care slots has been slow, especially in general child care, wherein CDSS must allocate funding through an RFA process. As of February 2023, based on data collected between October 2021 and December 2022, enrollment in voucher programs increased by around 37,238 slots (a 66 percent increase). For general child care (contract-based programs), the 2021-22 awards included 25 percent of the available funding in contracts for 2022-23 to all 114 applicants with substantiated applications, resulting in $257 million in newly awarded funding to serve an estimated 8,800 children in new slots.

Given the slow uptake of expanded slots, the LAO projects significant one-time savings in 2022-23 and possibly 2023-24 due to the delay in finalizing general child care contracts. This could equate to as much as $800 million in one-time savings in the current year with some additional savings in 2023-24 likely. LAO continues to work with CDSS to refine estimates of these savings.

Cost of Living Adjustment (COLA). The Governor's Budget includes $301.7 million General Fund for Child Care and Development Programs and $1.5 million for the Child and Adult Care Food Program to support an 8.13 percent COLA.

According to the LAO, the Governor's budget calculates COLA costs by applying the 8.13 percent to the total costs of each child care program. In theory, this amount of funding reflects the costs associated with providing an across-the-board funding increase to all child care providers by 8.13 percent. Under current law, however, only general child care providers receiving the SRR receive an increase to their rates based on COLA. The LAO estimates the COLA-related costs for SRR providers are $118 million lower than budgeted by the administration. The LAO notes that for Alternative Payment (voucher-based) programs, the COLA would result in additional slots. Additionally, general child care providers receiving the RMR would not receive a COLA under this approach. The LAO notes the Legislature has various options for distributing COLA-related funding. Some options include: provide an across-the-board rate increase to all child care providers, regardless of program and reimbursement type; reduce the gap between the RMR and the SRR; and redirect COLA-related funds for another child care program purpose.

Status of Federal Relief Funds. During COVID-19, the federal government enacted three relief packages. Across these relief packages, the state received over $5 billion in one-time federal funds to support child care programs. The state must expend $3.7 billion by September 2023 and most of the remaining $1.4 billion by September 2024. The state has used these federal funds on various child care program activities, most notably to temporarily support provider rate increases and additional child care slots. The state also used the funds for a variety of other one-time or temporary purposes, including temporary stipends and supplemental rate increases. The LAO raises several questions regarding the status of over $5 billion in federal relief funds allocated to child care programs in the 2021 Budget Act and 2022 Budget Act, noting that there are likely significant savings due to actual costs associated with slot increases coming in lower than the Governor's budget estimates. Additionally, the LAO notes that when federal relief funds designated for rate and slot increases expire in September 2023, General Fund costs will increase in future budget years in order to backfill federal relief funds.

Family Fees and Hold Harmless. In addition to waiving family fees during the pandemic, the Legislature also enacted reimbursement flexibility that allowed child care providers to receive more predictable payments instead of being paid based on a child's attendance, given absences and instability caused by COVID-19. Like the wavier of family fees, the "hold harmless" policy will end on June 30, 2023, and providers will return to the previous reimbursement policy. The LAO notes that for voucher-based programs, maintaining the temporary reimbursement flexibility could improve the chances of providers enrolling subsidized families; however, for direct contract providers, the policy does not incentivize providers to fill slots and disconnects program funding from the number of children served.

Proposition 64 considerations. The LAO also notes that there is a high risk that Proposition 64 revenues come in lower than expected in the Governor's Budget. As a result, there may be a need for additional General Funds to backfill child care funding.

Subcommittee Staff Comment and Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide a brief overview of the Governor's proposed child care budget for 2023-24.

2. Please provide an overview of the release of slot funding allocated in 2021-22 and 2022-23. Of the funded slots, how many slots have been filled, and what is the department's schedule to award additional funded slots? What barriers has the department faced in releasing an unprecedented number of new slots, and ensuring that providers are ready and available to fill newly available slots?

3. Please provide an overview of supplemental rate funding, including stipends, issued to child care providers through the 2021 and 2022 Budget Acts. What has been the impact of these supplemental payments on child care providers? When will the last round of stipends be issued to child care providers?

4. Please provide a brief update on the Child Care and Development Infrastructure Grant Program.

5. How will the end of the "hold harmless" policy impact child care providers? What other challenges are facing the child care field and families seeking child care in need of immediate attention in the 2023-24 fiscal year?

The Subcommittee requests Department of Finance (DOF) respond to the following questions:

1. Please describe the Administration's rationale for delaying an additional 20,000 child care slots which were planned for release in 2023-24.

2. Please provide an update on the expenditure of federal ARPA funds provided for child care. How much ARPA has been spent and is projected to be spent over the current year? Will federal ARPA or other federal funds provided for child care need to be re-appropriated in order to avoid reversion by federal deadlines?

3. Please explain the Administration's methodology for estimating the cost of the 8.13 percent COLA. Is the COLA intended to support all child care providers, regardless of program type, or only general child care providers receiving the SRR? Is the intention to provide the COLA to Alternative Payment programs as a slot increase?

The Subcommittee requests LAO respond to the following questions:

1. Please provide a brief overview of 2022 Budget Act investments in child care.

2. Please share the LAO's comments on the Governor's 2023-24 proposed child care budget.

Issue 3: AB 2806 - Childcare and developmental services: preschool: expulsion and suspension

Budget Change Proposal – Governor's Budget. AB 2806 (McCarty, 2022) made statutory changes to requirements related to child care expulsion, suspension, and mental health consultation. CDSS requests $1.1 million ongoing for two (2.0) Associate Governmental Program Analysts, three (3.0) Staff Services Manager I (Specialists), and one (1.0) Research Data Specialist III, to support workload associated with this legislation.

Background. The rate of expulsion in child care programs has been estimated to be as high as one in every 36 children enrolled, with 39 percent of all child care classes per year expelling at least one child. A 2005 study led by Yale Child Study Center researcher Walter S. Gilliam found that "expulsion of young children from early care and education settings as a response to behavior issues or social and emotional challenges occurs at three times the rate of K-12 students, thus limiting the child and family's access to services and needed supports." In 2014, the U.S. Department of Health and Human Services found that young boys of color are disproportionately affected by early childhood programs' suspension and expulsion policies. African American boys account for almost half of the preschoolers suspended more than once, despite only making up 18 percent of preschool enrollment. Hispanic and African-American boys combined represent 46 percent of all boys in preschool but make up 66 percent of their same-age peers who are suspended.

AB 2806 (McCarty, 2022). AB 2806, which was signed by the Governor in 2022, makes a number of changes aimed at ending expulsions and suspensions for children in subsidized early learning settings, including:

- Prohibiting general child care programs (programs that contract directly with the state) from expelling or un-enrolling a child because of the child's behavior, and establishing policies for providers around suspension and expulsion.

- Requiring facilities to report data annually, beginning in 2030, on use of expulsion and suspension procedures. This data will be published by the California Department of Education (CDE) and CDSS beginning in 2031.

- Permitting facilities to appeal an citation or penalty related to the behavior of a child, including the actions of staff, if the facility is in the process of complying with expulsion and suspension requirements.

- Revising requirements around Mental Health Consultation Services (MHCS), including defining which professionals are authorized to provide these services, and expanding the scope of MHCS to include support for providers, parents, guardians, and caregivers.

The suspension and expulsion requirements of AB 2806 do not apply to licensed family childcare providers who are represented by the Child Care Providers United Union – California (CCPU), as there is a Joint Labor Management Committee (JLMC) comprised of the State and CCPU representatives which is required to make recommendations on this topic impacting the represented providers.

Staffing and Resource Request. CDSS Child Care and Development Division (CCDD) requests six (6) permanent positions to develop and implement the policy changes required by AB 2806, including providing program, research, and data support. The requested staff include mental health consultation staff and expulsion and suspension staff:

CCDD Mental Health Consultation Staff:

- 2.0 Staff Services Manager I (Specialist): These positions are needed for workload associated with the development and implementation activities associated with federal and state requirements, development of training requirements for child care providers and mental health providers, collaboration with the CDE, and monitoring of contracts associated with professional development requirements.

- 1.0 Associate Governmental Program Analyst: This position is needed to support the workload of the staff services managers, including, but not limited to, drafting, preparing and reviewing documents pertaining to internal and external communications, Child Care Bulletins, and presentation materials, as well as analyzing state and federal requirements and monitoring protocols and coordinating work between CDSS and CDE.

CCDD Expulsion and Suspension Staff:

- 1.0 Staff Services Manager I (Specialist): This position is needed for workload associated with development and implementation of new policy, guidance, regulation promulgation, and alignment with state and federal requirements; development of guidelines for additional support and required trainings for programs with exceptionally high numbers of suspensions and expulsion in collaboration with the CDE; consultation for state and federal compliance requirements associated with the data requirements, and creation of new and ongoing monitoring and record keeping procedures.

- 1.0 Associate Governmental Program Analyst: This position is needed for workload associated with assisting the staff services manager, including, but not limited to, drafting, preparing and reviewing documents pertaining to internal and external communications, Child Care Bulletins, presentation materials, and analyzing current state and federal requirements.

- 1.0 Research Data Specialist III: This position is needed to identify all existing suspension and expulsion data to support modification of existing data sources. This position will conduct research and surveys to develop and present a comprehensive representation of existing data sources with recommendations for improvement, all to be shared and disseminated in appropriate forums. This position will also provide management with informed recommendations regarding policy, guidance, and alignment with state and federal requirements. Finally, this position will provide data to inform development of support and training guidelines for programs with exceptionally high numbers of suspensions and expulsions in collaboration with CDE.

According to CDSS, these resources will decrease the number of children in child care programs who are expelled or suspending due to behaviors, improve access to mental health services, and help eliminate the disproportionate expulsions of African American, Black, American Indian, and Latinx children and children with disabilities. This requires CDSS to provide technical assistance to ensure successful local implementation.

Subcommittee Staff Comment and Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 4: AB 2832 - Whole Child Community Equity

Budget Change Proposal – Governor's Budget. CDSS requests $549,000 General Fund in 2022-23 and $535,000 General Fund ongoing for one (1.0) Associate Governmental Program Analyst, one (1.0) Staff Services Manager I (Specialist), and one (1.0) Research Data Specialist II to support the development of the Whole Child Equity Framework and Whole Child Community Equity Screening Tool, mandated by Chapter 699, Statutes of 2022 (AB 2832). The framework and screening tool will utilize community-level data to target efforts toward the communities with the highest needs..

Background. AB 2832 (Rivas, Chapter 699, Statutes of 2022) requires the development of an Equity Screening Tool to map out the state's communities with the largest racial and economic equity gaps and develop a "whole child approach" that prioritizes the full scope of a child's developmental needs.

Pursuant to AB 2832, CDSS, in consultation with CDE, must convene a workgroup made up of parents and families from historically underserved communities and other stakeholders to provide recommendations to CDSS for purposes of developing the Framework, the Equity Screening Tool, and recommended uses of the Equity Screening Tool for early childhood investments, and whole child resources.

AB 2832 requires CDSS, in consultation with CDE, to develop and utilize the Equity Tool to identify highest-need communities across the state with significant disparities across indicators that are essential to supporting the whole child. The Equity Screening Tool will build upon existing indices, including the Child Opportunity Index, Healthy Places Index, Human Development Index, California Strong Start Index, COVID-19 Statewide Vulnerability & Recovery Index, and Social Vulnerability Index. In order to create the Equity Screening Tool, the CDSS, in consultation with the CDE, is required to engage with counties, resource and referral programs, First 5 California, and other early care and education stakeholders through quarterly council meetings to seek their input for the establishment of the Equity Screening Tool. Lastly, on or before January 1, 2025, with input from the workgroup, CDSS is required to finalize and present the Framework, the Equity Screening Tool, and recommended uses of the Equity Tool to the Legislature.

Staffing and Resource Request. CDSS requests the following staff to implement AB 2832:

- 1.0 Associate Governmental Program Analyst: This position is needed to plan, assist, coordinate, communicate and be the liaison between state government and local agencies and local data systems, local communities' especially the historically underserved communities, to identify and collect community-level equity data for the Equity Screening Tool.

- 1.0 Staff Services Manager (Specialist): This position would supervise, lead, manage, and implement data and research tasks, requests, and projects required by the division. The SSM I would initiate and maintain data sharing agreements and processes relevant to equity data collection, support the Child Care and Development Division regarding information related to equity questions and requests, collaborate with the CDSS Research, Automation, and Data Division (RADD), and other state and local agency data collectors, and guide and review the work by the analyst.

- 1.0 Research Data Specialist II: This position would lead, plan, coordinate, and conduct proactive equity data collection initiatives research projects and activities. The RDS II would identify and define data elements for the Equity Screening Tool that tracks whole child data, including, but not limited to: access to childcare, health and mental health services, education, childhood adversity and community safety, economic well-being, and built environments. Furthermore, the RDS II would create new data models and visualizations, develop and utilize data cleaning techniques, produce data quality reports to ensure data integrity, and utilize childcare equity data to the Equity Screening Tool.

According to CDSS, the Whole Child Equity Tool will impact how the state allocates early care and education resources based on equity.

Staff Comment and Recommendation. Hold open.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide an overview of this proposal.

Issue 5: Child Care and Development: Inter-agency contract adjustments and California State Preschool alignment

Trailer Bill Language – Governor's Budget. This trailer bill language would provide technical clean-up to align California State Preschool Programs (CSPP) requirements with child care and development program requirements by amending Welfare and Institutions Code (WIC) § 10300.5 to include authority parallel to what already exists in the Education Code (EDC) for "inter-agency adjustments between different contractors with the same type of contract." This authority promotes utilization of child care and development funding and allows for matching of available unused funds with identified service needs.

Background. AB 131 (Committee on Budget, Chapter 116, Statutes of 2021) transferred applicable EDC sections to the WIC in accordance with the Early Childhood Development Act of 2020, which transferred several child care and development programs from the California Department of Education (CDE) to the California Department of Social Services (CDSS). AB 131 transferred authority for current direct service contractors to arrange intra-agency adjustments between contract types for the same agency and funding allocation, from EDC § 8216 to WIC § 10300.5 almost verbatim. While the language transfer was intended to be a "lift and shift" of all applicable EDC sections to facilitate the child care transition, the authority for "inter-agency adjustments between different contractors with the same type of contract," found in EDC § 8256, was mistakenly not transferred to WIC.

Trailer Bill Language. This proposal would update the language in WIC § 10300.5 to mirror the language in EDC § 8216 and 8256 to further integrate services, improve administrative functions, and reduce redundancies. In addition, program alignment across child care and development programs and CSPP would also remove unnecessary administrative burden for contractors administering both programs.

Subcommittee Staff Comment and Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide an overview of this proposal.

Issue 6: Child Care and Development: Alternative Payment Programs: Reimbursement Rate Categories and Documentation

Trailer Bill Language – Governor's Budget. This trailer bill language would amend Welfare and Institutions Code (WIC) § 10228 to provide clarification regarding Alternative Payment Program (APP) provider rate sheets and reimbursement rate categories. The language would specify that a license-exempt provider is not required to submit a copy of their rate sheet along with a statement confirming that the rates charged for the care of a child receiving a subsidy are equal to or less than the rates charged for a child who is not receiving a subsidy.

In addition, this language would clarify how to calculate a licensed provider's reimbursement when the reimbursement category could be considered either full-time weekly or full-time monthly in accordance with regulations. This language would make clear that reimbursement for licensed providers would be based on the category that matches what the provider charges private-pay families as indicated on their rate sheet, and that reimbursement for license-exempt providers shall be based on the category that results in higher reimbursement. This language also provides other technical amendments, including to clarify a cross-reference in statute.

Background. WIC § 10228(c) requires licensed child care providers to submit to the APP a copy of their rate sheet listing the rates charged, as well as a statement confirming that the rates charged for a child receiving a subsidy are equal to or less than the rates charged for a child who is not receiving a subsidy.

California Code of Regulations (CCR) Title 5 § 18231(a) indicates that "a contractor shall maintain in its files the following records concerning each service provider: A statement of the service provider's current fees with information regarding the provider's usual and customary services provided for those fees." There are several types of service providers, such as a licensed child care center, licensed family child care home, and license-exempt providers. Based on current regulations, license-exempt providers are not mandated to have rate sheets; however, some APP contractors require license-exempt providers to submit written documentation of what they would want to be reimbursed for the child care services they provide.

WIC § 10374.5(c)(2), which was amended by AB 131 (Committee on Budget, Chapter 116, Statutes of 2021), establishes that effective January 1, 2022, license-exempt child care providers *shall be reimbursed at 70 percent* of the family child care home (FCCH) rate established pursuant to WIC § 10374.5(b). Because license-exempt providers shall be reimbursed at 70 percent of the FCCH rate, even if a license-exempt provider had an established rate, it would not be needed to determine the reimbursement calculation. It is therefore no longer appropriate to require license-exempt providers to submit a statement of current fees with the information on usual and customary services provided for those fees when the reimbursable rate has been established by law.

CCR Title 5 § 18075 indicates the following rate categories: hourly, daily, part-time weekly, full-time weekly, part-time monthly and full-time monthly. Based on the definitions in the regulations, the full-time weekly and full-time monthly reimbursement rate categories could be used interchangeably to calculate reimbursement for a child who is certified for full-time child care services.

Clarifying Language. In accordance with WIC § 10374.5(c)(2), commencing January 1, 2022, license-exempt child care providers shall be reimbursed at 70 percent of the family child care home rate established pursuant to WIC § 10374.5(b). Previously, license-exempt providers were reimbursed at up to the 70th percentile of the family child care home rate. Because this change specifies the rate that license-exempt providers must be paid, there is no longer any valid reason for agencies to collect rate sheets from license-exempt providers. This proposal would clarify that agencies do not need to collect rate sheets from license-exempt providers.

Providing this clarification in statute will eliminate confusion within the child care field regarding the records required to be on file based on provider type. It will also reduce the administrative burden for contractors and license-exempt providers.

Finally, the addition of WIC § 10228(j) regarding the utilization of rate categories would eliminate confusion on the part of the contractor when deciding which rate category to apply in cases where both the full-time weekly and full-time monthly category would be acceptable and in line with existing regulatory requirements.

Subcommittee Staff Comment and Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 7: Child Care Stakeholder Proposals for Investment

The Subcommittee has received the following stakeholder proposals for investment related to the CDSS Child Care and Development Division:

1. **Family and Child Care Enrollment: Community-based alternative program funding.** The California Alternative Payment Program Association (CAPPA) requests $81 million ongoing to increase the reimbursement rate for alternative payment programs for administration and support services from 17.5 percent to 22 percent of the total contract amount.

   According to CAPPA, "This request is intended to provide funding for all of the work required of community agencies to enroll families. For every 10 families that begin the enrollment eligibility process for child care, 60-70 percent of those families will not complete the process. Therefore, agencies receive no funding for the families that ultimately fail to complete the eligibility process or are deemed ineligible. Agencies too are required to implement agreements between CalHR & the Child Care Provider Union such as data collection and monthly dues calculations and collections. Agencies are not funded for these activities. To date, the funding required to comply come directly from the funding allocated to support enrollment of families. Finally, since the onset of the pandemic until now, these community agencies have had to implement over 80 different changes resulting from emergency mandates and budget and funding outcomes. These mandates are unfunded and have also come out of the funds earmarked to support families."

   Subcommittee staff notes that the 2022 Budget Act provided $20 million in one-time General Fund for Alternative Payment Program administrative needs.

2. **Child Care Rates and Fees.** The Early Care and Education Coalition (ECE Coalition) proposes several changes to the child care rate structure and family fees, totaling $2.5 billion ongoing (rates) and $159.8 million ongoing (family fee schedule.) This proposal is included in Issue 1 of this agenda (page 7 of this document.)

5180 Department of Social Services – Children and Family Services

Issue 8: Children and Family Services Overview

Governor's Proposal. The Governor's budget includes $9.3 billion ($1.2 billion General Fund) in 2022-23 and $9.1 billion ($832.9 million General Fund) in 2023-24 for the Children and Family Services division. This represents a net decrease of $254.6 million ($302.1 million General Fund) from the Budget Act of 2022. The decrease reflects the sunset of $150.0 million General Fund in one-time funding to support increased Emergency Response Social Workers, and the initial year of the Los Angeles County Child Welfare Stabilization funding ($100.0 million General Fund decrease from 2022-23). The decrease also reflects the one-time funding of $342.2 million ($175.0 million General Fund) for items with multi-year expenditure authority that include Minor Victims of Commercial Sexual Exploitation and the Excellence in Family Finding and Engagement block grant, and a federal funds decrease from the projected end of the Temporary FMAP increase for Foster Care (FC) and Adoption Assistance Program (AAP).

Changes in Local Assistance Funding for Child Welfare

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

	Total	Federal	State	County	Reimbursement
2023-24 Governor's Budget proposal	$9,296	$3,168	$918	$4,995	$215
2022-23 revised budget	9,566	3,307	1,338	4,709	213
Change From 2022-23 to 2023-24	**-$271**	**-$139**	**-$420**	**$286**	**$2**

Note: Does not include Child Welfare Services automation.

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

Source: Legislative Analyst's Office

California Behavioral Health Community-Based Continuum (CalBH-CBC) Demonstration Waiver. The 2023-24 Governor's Budget includes $14.5 million ($10.6 million General Fund) in 2023-24 and annual funding through the waiver duration, to support additional workload for county child welfare agencies associated with implementation of the CalBH-CBC Demonstration Waiver. This proposal includes funding for Child and Family Teams for family maintenance cases, joint home visits with mental health providers, and caseworker administrative time to implement and coordinate extracurricular activities paid for with the new activity stipends. The CalBH-CBC is a joint effort led by the Department of Health Care Services and CDSS to create a long-term plan for how children and youth involved in the child welfare system and Foster Care systems receive health care services to improve the coordination, access to care, and overall outcomes and well-being for these youth. The activity stipends and the joint home visits portions of the CalBH-CBC Demonstration Waiver will implement in 2024-25.

Background. When children experience abuse or neglect, the state provides services to protect children and strengthen families. The Child Welfare Services (CWS) program in California is an intervention program designed to protect abused, neglected, and exploited children. Counties provide prevention services, such as substance use disorder treatment and in-home parenting support, to families at risk of child removal. When children cannot remain safely in their homes, the state provides temporary out-of-home placements through the foster care (FC) system.

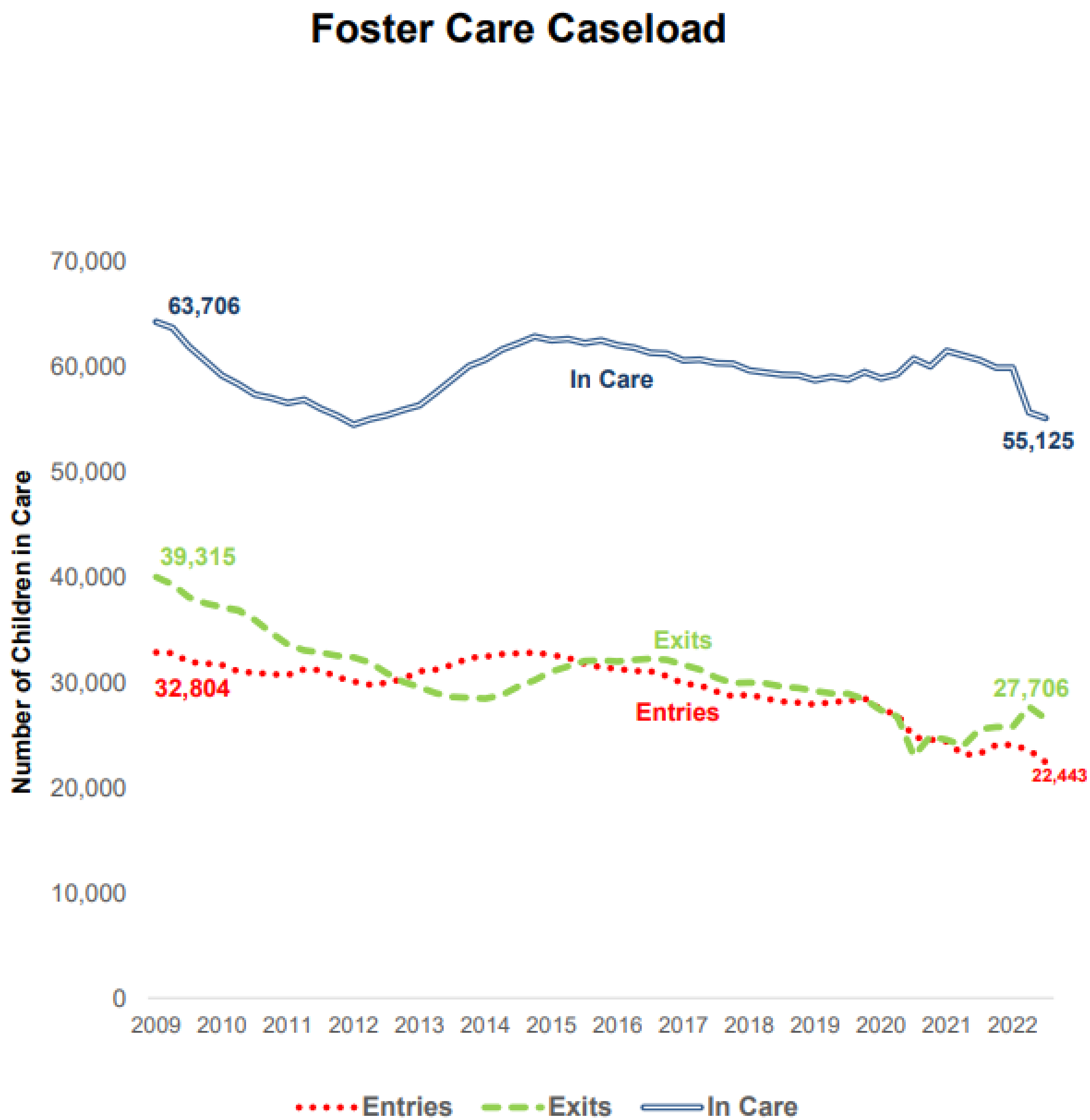
FC provides a state supervised living arrangement for youth who require temporary care due to abuse or neglect. CDSS oversees the county-administered foster care system. Youth are typically placed in foster care because a county child welfare agency has removed them from their home and a juvenile court has found that their parents cannot care for them. The court may place a youth who has broken the law and has been declared a ward of the court in foster care if it finds that returning the youth to their home would be unfavorable to their welfare. Counties make arrangements for temporary placement and the delivery of family reunification services if the court determines that out-of-home placement is the only safe option. The initial goal of these placements is family reunification.

When a court determines that a child must be removed from their home they can be placed in various foster care placement types that include resource families, therapeutic residential treatment programs (STRTPs), and independent and transitional placements. The preferred placement is in a home with a resource family. A resource family may be either a noncustodial parent or relative, nonrelative family member, a foster family approved by the county, or a foster family approved by a private foster family agency (FFA). FFA-approved foster families receive additional supports through the FFA and may care for youth with higher-level physical, mental, or behavioral health needs.

Continuum of Care Reform. Significant research documents the poor outcomes of children and youth in congregate care, such as higher re-entry rates into foster care, low high school graduation rates, and increased risk of arrest. The placement of children in group care settings has been increasingly viewed as a temporary solution in instances where emergency or crisis treatment is warranted. To address this, the Legislature passed a series of legislation implementing the "Continuum of Care Reform" (CCR) framework for state and local governments, beginning in 2012. CCR implemented child-and-family centered reforms and developed a continuum of integrated child welfare and behavioral health supports designed to meet the needs of children and families in the child welfare system. Within the past five years, the number of youth placements in congregate care facilities has decreased by 66 percent, in alignment with the goals of CCR, and a higher proportion of children are being cared for in home-based settings.[1] Federally, the Families First Prevention Services Act (FFPSA) is intended to achieve similar goals of CCR by enhancing support services for families to help children remain at home and reduce the use of unnecessary congregate care placements. More detail on FFPSA is included in Issue 14 of this agenda.

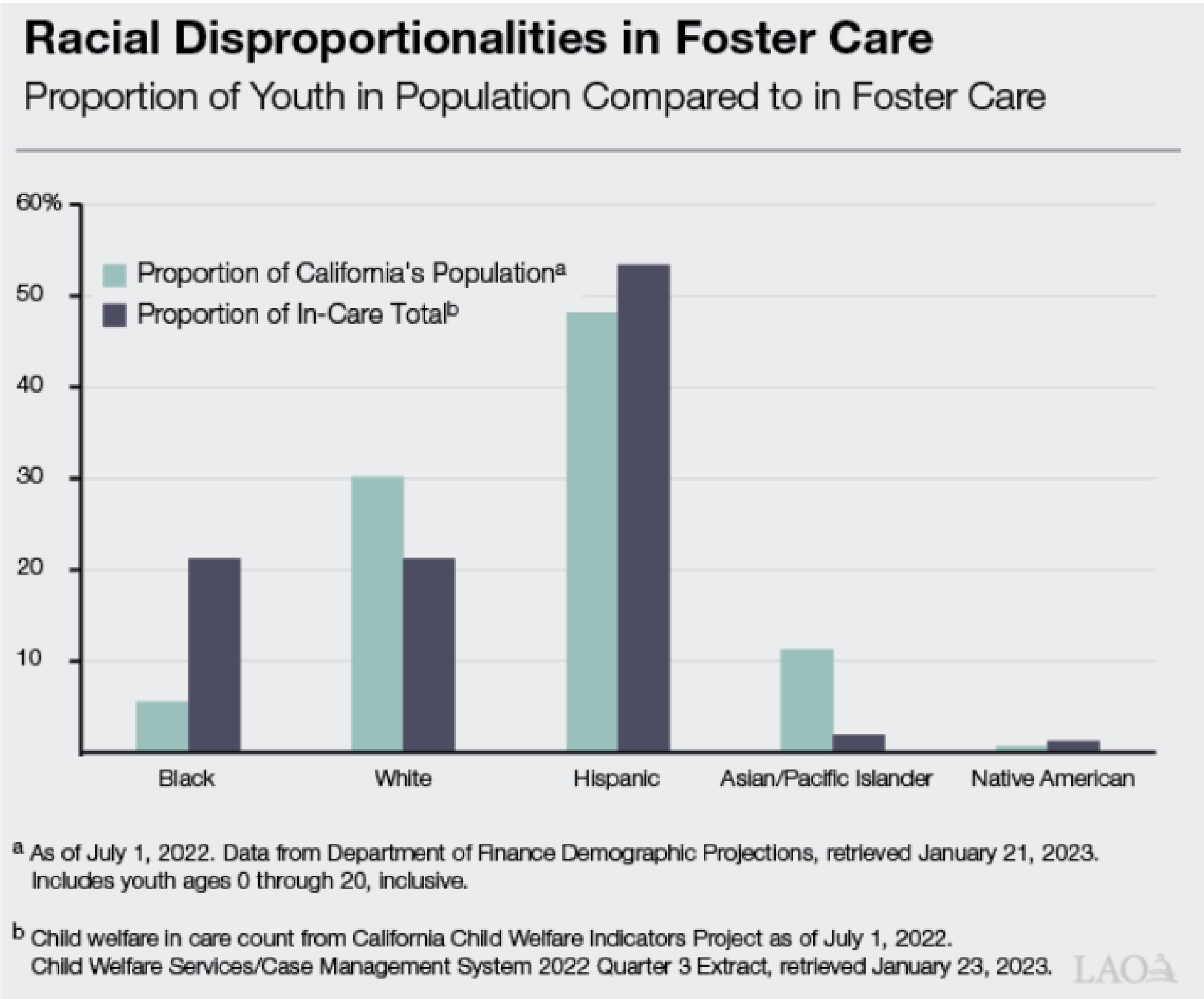
As of the latest estimates in the Governor's January budget, there are approximately 55,125 children in foster care in California.

[1] CDSS, Continuum of Care Reform Oversight Report, March 2023.



Source: Center for Social Services Research, School of Social Welfare, UC Berkeley

Racial Disproportionalities in Foster Care. According to the LAO, youth in foster care are disproportionately low-income, Black, and Native American. A broad body of research has found that families impacted by child protective services are disproportionately poor and overrepresented by certain racial groups, and are often single-parent households living in low-income communities. In California, Black and Native American youth in particular are overrepresented in the foster care system relative to their respective shares of the state's youth population. The proportion of Black and Native American youth in foster care is around four times larger than their proportion of the population in California overall. The following figure, provided by the LAO, demonstrates the proportion of youth in the general population compared to the population of youth in Foster Care. Significant disproportionalities have persisted for many years. The figure displays aggregated state-level data; disproportionalities differ across counties.



Source: Legislative Analyst's Office

The chart below, provided by the LAO, displays the key drivers of the net decrease in overall child welfare spending in the 2023-24 Governor's budget.

Drivers of Overall Child Welfare Net Spending Decrease

(In Millions)

Item	Total Funds Change From 2022-23 (Revised) to 2023-24	General Fund Change from 2022-23 (Revised) to 2023-24	Description
CalBH-CBC Demonstration	$14.0	$11.0	This amount reflects child welfare-specific costs included in the proposed demonstration project. This initial funding amount is for child welfare social worker workload to participate in CFT meetings for Family Maintenance cases. Other costs are budgeted under DHCS.
Net changes in CCR costs	14.0	8.0	The net increase in CCR costs reflects increases in the HBFC rate and PPA, partially offset by decreases in CFTs, RFA backlog, and other program areas. See CCR table for more detail regarding these changes.
SMHS documentation and notification to support continuity of care (AB 1051)	3.2	2.6	Costs for additional social worker time to fulfill documentation and notification requirements when foster youth receiving SMHS are placed out-of-county, as required by Chapter 402 of 2022 (AB 1051, Bennett). Costs also include automation for data collection on foster youth receiving SMHS. Other costs are budgeted under DHCS.
Case management activities for psychiatric residential treatment facilities (AB 2317)	1.3	1.3	Costs for additional social worker time to conduct case management activities for youth placed in psychiatric residential treatment facilities, as required by Chapter 589 of 2022 (AB 2317, Ramos).
Juvenile records access (SB 1071)	1.1	0.8	Costs for additional social worker time to prepare juvenile case files for certain administrative hearings, as required by Chapter 613 of 2022 (SB 1071, Umberg).
Family finding and investigations (SB 384)	1.1	0.8	Costs for additional social worker time to investigate the names and locations of any alleged parents of children entering foster care, as required by Chapter 811 of 2022 (SB 384, Wiener). Costs also include one-time county child welfare and probation department reporting costs.
Documentation of family reunification services (AB 2866)	0.2	0.1	Costs for additional social worker time to provide sufficient documentation during applicable status review hearings that FR services were provided or offered, as required by Chapter 165 of 2022 (AB 2866, Cunningham).
Excellence in Family Finding and Engagement block grants	-308.0	-150.0	One-time grants in 2022-23, expendable over five years, to local child welfare agencies for family finding, engagement, and support activities. Participating counties are required to provide matching funds equal to one-half of the state funds.

COVID-19 temporary eFMAP	-111.0	—	During the public health emergency, the federal government has been providing a 6.2 percent increase in the federal match rate (referred to as eFMAP). The eFMAP will begin to phase out April 1, 2023, and will drop to 0 as of January 1, 2024.
Child welfare stabilization funding for Los Angeles County	-100.0	-100.0	*2022-23 Budget Act* included $200 million in 2022-23 and $100 million in 2023-24 ($300 million total over two years).
Bringing Families Home program augmentation	-93.0	-93.0	Limited-term augmentation of $92.5 million provided in 2021-22 and 2022-23 ($185 million total over two years).
Increase in emergency response social worker funding	-68.0	-50.0	Limited-term augmentation of $50 million General Fund provided in 2021-22 and 2022-23 ($100 million total over two years), to help local child welfare agencies respond to the public health emergency.
Child abuse prevention federal grants augmentation	-43.0	—	One-time augmentation provided in 2022-23 for various federal child welfare grant programs.
Minor victims of commercial sexual exploitation	-25.0	-25.0	One-time augmentation in 2022-23, expendable over three years, to support placement and services for youth who have been impacted by human trafficking, and to develop a specialized training curriculum for child welfare staff and other stakeholders who interact with these youth.
STRTP provider IMD transition support	-10.0	-10.0	Limited-term support in 2021-22 and 2022-23 for STRTPs that would be classified as IMDs, to assist them with transitioning program models in order to retain federal funding eligibility for SMHS. Additional funding is budgeted under DHCS.
Reporting costs for removing barriers to placements with relatives (SB 354)	-7.0	-5.0	One-time funding in 2022-23 for county manual data collection as required by Chapter 687 of 2021 (SB 354, Skinner) to compile and submit data on criminal records exemptions and denials for relative caregivers.
Child welfare training additional support	-7.0	-7.0	Limited-term funding in 2021-22 and 2022-23 for child welfare training additional support.
RFA backlog resources	-6.0	-4.0	One-time funding in 2022-23 to help counties address the RFA backlog by allowing counties to pay overtime for existing staff to expedite RFA application review.
California Parent and Youth Helpline	-5.0	-5.0	One-time funding in 2022-23, expendable over three years, to continue providing a support helpline for children and families who may be at risk of involvement with child welfare or entry to foster care. The helpline was initially funded as a pandemic emergency response initiative.

Foster Youth Independence pilot program	-1.0	-1.0	One-time funding in 2022-23 for case management and services to increase utilization of federal housing choice vouchers for former foster youth up to age 25, who are or are at risk of experiencing homelessness.
Tribal technical assistance (AB 2083)	-0.1	-0.1	One-time funding in 2022-23 to support tribal engagement with counties to develop tribal consultation protocols, as required by Chapter 815 of 2018 (AB 2083, Cooley).
Other Net Changes	479.0	6.0	This amount reflects the net effect of other changes across programs, including caseload changes, CNI COLAs, and estimated increases in county expenditures under 2011 realignment.
Totals	**-$271.0**	**-$420.0**	

CalBH-CBC = California Behavioral Health Community-Based Continuum; CFT = Child and Family Team; DHCS = Department of Health Care Services; CCR = Continuum of Care Reform; HBFC = Home-Based Family Care; PPA = Placement Prior to Approval; RFA = Resource Family Approval; SMHS = specialty mental health services; FR = family reunification; eFMAP = Enhanced Federal Medical Assistance Percentages; STRTP = Short-Term Residential Therapeutic Program; IMDs = Institutions for Mental Disease; CNI = California Necessities Index; and COLA = cost-of-living adjustment.

Source: Legislative Analyst's Office

2022 Budget Act. The 2022 Budget Act included the following new investments in child welfare:

- **Los Angeles County Child Welfare Stabilization:** $200 million General Fund in 2022-23 and $100 million General Fund in 2023- 24 (for a combined one-time investment of $300 million over two years) for the stabilization of child welfare services in Los Angeles County.

  Implementation Update. In January 2023, CDSS issued the specific allocations for child welfare and probation along with templates that social workers and probation officers will use to invoice funds.

- **Flexible Family Supports for Home-Based Foster Care:** $50 million General Fund in both 2022-23 and 2023-24 to increase the use of home-based family care and the provision of services and supports to children in foster care and their caregivers. The funds can be used for a variety of purposes, including respite care, costs to facilitate a child's participation in enrichment activities, and costs associated with facilitating a placement with a relative or nonrelative extended family member.

  Implementation Update. In January 2023, CDSS published guidance for counties (with additional guidance for tribes forthcoming) specifying requirements to access these funds, along with specific claiming instructions. The department also released individual county allocations via a separate fiscal letter. According to the guidance, counties intending to use their allocations will be required to submit a letter of intent to CDSS; letters will be accepted on a rolling based through July 1, 2024.

- **Emergency Child Care Bridge:** $35 million General Fund ongoing for expansion of the Emergency Child Care Bridge, with full funding for increasing the number of navigators ($5 million) and to increase trauma-informed training ($4 million), with the remaining amount to provide additional vouchers to children in care.

Implementation Update: CDSS published the required guidance on September 26, 2022. While the funding augmentation for 2022-23 has been disbursed to counties, data on impacts of the expanded funds—for example, how many families have received vouchers beyond 12 months—are not yet known.

- **Transitional Housing Program and Housing Navigators Program:** $34 million General Fund in ongoing, to expand the Transitional Housing Program and Housing Navigators Program for current and former foster youth. This program is administered by the Department of Housing and Community Development.

- **Tribally Approved Homes Compensation Program and Legal Counsel for Tribes.** $8.2 million General Fund ongoing for the Tribally Approved Homes Compensation Program and the Tribal Dependency Representation Program to provide grants and legal assistance for the foster or adoptive placement of an Indian child and for representation of Indian tribes in a California Indian child custody proceeding. $2.1 million General Fund ongoing to provide legal counsel to tribes in Indian child welfare cases.

  Implementation Update: For legal counsel for tribes, CDSS has held consultations with tribes, and intends to enter into memorandums of understanding with participating tribes by May 1, 2023. All 109 of California's federally recognized tribes are potentially eligible; tribes wishing to receive assistance will be required to submit a letter of interest by April 7, 2023. CDSS anticipates around 70 to 80 tribes will opt in. CDSS plans to issue allocations to individual tribes in June 2023. CDSS also anticipates providing allocations for the Tribally Approved Homes program by June 2023.

- **Foster Youth with Substance Use Disorders Grant Program:** $5 million General Fund one-time, with budget bill language, for the Foster Youth with Substance Use Disorders Grant Program, administered by the Department of Health Care Services.

- **Supplemental Security Income (SSI) for Foster Youth**: $1.1 million ($1 million General Fund) in 2022-23 and $600,000 General Fund ongoing to help facilitate access to SSI for foster youth.

- **Foster Care Interim Rates Extension:** trailer bill language that extends the date by which the department must develop a permanent rate structure for payments to foster care providers from December 31, 2022, to December 31, 2024.

- **Emergency Caregiver Funding: Good Cause Exemption:** $6.6 million General Fund ongoing provide for emergency payments to caregivers for up to 365 days under certain circumstances.

- **Resource Family Approval (RFA):** $50 million General Fund ongoing to assist counties in reducing approval timelines for foster caregiver applications, also known as the Resource Family Approval (RFA) process. The resources will allow counties to hire additional staff to reduce pending and probationary resource family applications.

- **Foster Youth Independence Pilot Program**: $1 million General Fund one time, available over two years, for county child welfare agencies to provide case management and support services for former foster youth utilizing federal housing choice vouchers.

- **Parent and Youth Helpline:** $4.7 million General Fund one-time, available over three years, to continue operation of a helpline for parents and youth. The helpline is a statewide triage and support system, established during the COVID-19 Pandemic, that helps deliver services to children, families, and caregivers by phone and online.

  Implementation Update. From May 2020 through August 2022, the helpline received over 40,000 texts, e-mails, and other communications from youth and parents in total. In addition, nearly 300 parents participated in online support groups.

- **Family Finding and Engagement Services:** $150 million General Fund one-time for intensive family finding and engagement services for children in foster care. Trailer bill language establishes, the Excellence in Family Finding, Engagement, and Support Program, administered by CDSS to conduct specialized permanency work with a focus on establishing and maintaining permanent connections for foster children.

  Implementation Update. CDSS released initial guidance and county allocations for block grants to counties and tribes to supplement family finding, engagement, and support activities in February 2023. According to the guidance, counties opting in to the program will need to submit a written plan to DSS for approval and will be able to access their allocations as of the date their plan is approved. Plans will be reviewed on a rolling basis; counties may submit plans up until June 30, 2025.

  According to the initial information released by the department in February 2023, the state Center for Excellence (CFE) in Family Finding is operational March 1, 2023 and will conduct training and technical assistance for counties and tribes that opt into the family engagement block grant program, described above. In preparing to launch CFE, CDSS and UC Davis held initial peer learning sessions in October and November 2022, and conducted a number of stakeholder meetings in January and February 2023 to determine what specific services and supports are most needed from CFE. As a result, CFE's trainings and technical assistance will include:

  - Conducting evidence-based, organization-specific assessments of quantitative and qualitative data related to permanency outcomes and operations.

  - Strengthening trauma-informed permanency practices and programs.

  - Developing workforce capacity around supporting permanency and family finding and engagement.

  - Providing guidance and research on the latest high-fidelity, evidence-based permanency and family finding and engagement models and practices.

  - Providing peer-to-peer learning opportunities for counties, tribes, and providers to share and leverage best practices and program sustainability.

  - Fostering a culture of diversity and inclusion that actively invites the contribution and participation of those who are most impacted and is representative of diverse identities and communities.

- **Commercially and Sexually Exploited Youth: $**25 million General Fund one-time for prevention, intervention, and services for youth who have been the victims of sex trafficking. Budget bill language is included to require the department to perform a service gap analysis for youth who have been exploited and specify services to be funded with this appropriation.

  Implementation Update. As of November 2022, CDSS had determined the specific project areas and selected some of the organizations who will conduct the pilots:

  - $7 million for a Bay Area pilot by the Department on the Status of Women.
  - $7 million for a rural regional pilot by the Children's Legacy Center.
  - $10 million for a Southern California pilot, which CDSS intends to release for competitive bid in March 2023 (for a contract start date toward the end of the calendar year).
  - $1 million to fund training contracts.

- **Short-Term Residential Therapeutic Program (STRTP) Transitions**: $10.4 million General Fund one-time to support a portion of STRTP providers to transition to a reduced capacity of 16 beds or fewer, or other programs models, through December 2022. This funding will help prevent a loss of federal Medicaid funding resulting from STRTPs being classified as Institutions for Mental Disease, as clarified in federal guidance.

- **STRTP Non-Accreditation Supplement**. $906,000 General Fund ongoing to assist new STRTP providers with meeting federal accreditation requirements.

- **Child Welfare Services-California Automated Response and Engagement System (CWS-CARES):** $108 million one-time funding ($57.6 million General Fund) to continue the design, development, and implementation activities for the CWS-CARES project. The project is replacing a legacy system with a modern technology application that aids child welfare stakeholders in assuring the safety and well-being of children at risk of abuse and neglect. This project is discussed in Issue 15 of this agenda.

- **Foster Care Placement Services**: $729,000 in 2022-23 and $687,000 ongoing for five permanent positions to implement statutory changes related to the criminal exemption process for resource family applicants, relative placement applicants, and non-relative extended family applicants, as mandated by Senate Bill 354 (Skinner), Chapter 687, Statutes of 2021.

- **Child and Family Services Acute Review and Response**: $351,000 ($257,000 General Fund) for two permanent positions to review and respond to statewide trends in emergent safety and well-being concerns raised for children in the Child Welfare System. The budget also included budget bill language requiring an on-going outcomes assessment reported periodically, pursuant to discussions with the department, starting in 2022- 23, tracking progress on the key metrics of shelter stays for children under six and overstays for youth at STRTPs.

Implementation of recently funded programs. According to the LAO, implementation is underway for most major new child welfare funding provided in the current and prior year, but in general, it remains too early to fully assess the impact of these investments, particularly outcomes for youth and families. The following table, provided by the LAO, displays the implementation status of new child welfare programs:

Summary of Implementation Status of New Programs

New Augmentations Provided in 2021-22 and 2022-23
(State General Fund)

Program	Funding	Implementation Status
Child-Specific Funding Allowances[a]	$18.1 million ongoing beginning in 2021-22	Full Implementation Underway
County Capacity Building[a]	$43.2 million one-time in 2021-22, expendable for 5 years	Partial Implementation: Allocations Have Been Determined
Children's Crisis Continuum Pilot[a]	$60 million one-time in 2021-22, expendable for 5 years	Partial Implementation: Guidance Has Gone Out
Family Finding and Engagement Block Grants[b]	$150 million one-time in 2022-23, expendable for 5 years	Partial Implementation: Allocations Have Been Determined
Center for Excellence[b]	$750,000 ongoing beginning in 2022-23	Partial Implementation: Guidance Has Gone Out
Flexible Funds[b]	$50 million one-time in 2022-23 and again in 2023-24, expendable for 3 years	Partial Implementation: Guidance Has Gone Out
Emergency Response Augmentation	$50 million one-time in 2021-22 and again in 2022-23, expendable for 4 years	Full Implementation Underway
Minor Victims of Commercial Sexual Exploitation Pilot Projects	$25 million one-time in 2022-23, expendable for 4 years	Initial Planning and Preparation Phase
Bringing Families Home Augmentation	$92.5 million one-time in 2021-22 and again in 2022-23, expendable for 3 years	Full Implementation Underway
Los Angeles County Child Welfare Stabilization	$200 million one-time in 2022-23 and $100 million one-time in 2023-24	Partial Implementation: Allocations Have Been Determined
Emergency Child Care Bridge Program Augmentation	$35 million ongoing beginning in 2022-23	Full Implementation Underway
Legal Counsel for Tribes in Child Welfare Cases	$4.1 million ongoing beginning in 2022-23	Initial Planning and Preparation Phase
Support for Tribally Approved Homes	$4.8 million ongoing beginning in 2022-23	Initial Planning and Preparation Phase
Expanded Access to Social Security Income for Older Youth	$1 million ongoing beginning in 2022-23	Initial Planning and Preparation Phase
Parent and Youth Helpline Augmentation	$4.7 million one-time in 2022-23, expendable for 3 years	Full Implementation Underway
Foster Youth to Independence Housing Voucher Pilot	$1 million one-time in 2022-23	Full Implementation Underway

Initial Planning and Preparation Phase[c]
Partial Implementation: Guidance Has Gone Out
Partial Implementation: Allocations Have Been Determined
Full Implementation Underway[d]

[a] These program elements are part of the complex care needs funding package.
[b] These program elements are part of the support for home-based placements funding package.
[c] "Initial planning and preparation phase" may include substantial progress toward implementation, such as stakeholder meetings and other significant work toward program launch.
[d] "Full implementation underway" indicates all guidance and systems are in place for implementation. However, the program still may be underutilized, may not yet be achieving its intended impact, and/or may not necessarily be progressing in line with legislative expectations.

Note: This information is point in time and reflects our best understanding at the time of publication.

Subcommittee Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide an overview of the Governor's proposed 2023-24 budget for children and family services.

2. Please describe the child welfare components of CalBH-CBC waiver. How will these components implement and when will implementation begin? How will CDSS engage with stakeholders, including foster youth and families, in implementing new components such as the activity stipends? What are the goals and desired outcomes of this funding?

3. Please provide an update on the implementation of the Center for Excellence in Family Finding and the Family Finding block grants.

4. Please provide an update on the implementation of pilot projects to support minor victims of commercial sexual exploitation.

5. Please provide an update on the implementation of expanded funding for the Emergency Child Care Bridge program. What data is available on the impacts of this expansion and how it has benefited young children in foster care placements?

6. Please provide an update on the implementation of legal counsel for tribes in child welfare cares and support for tribally approved homes.

7. What is the department's timeframe for proposing a final foster care rate structure?

The Subcommittee requests the LAO respond to the following questions:

1. Please share the LAO's comments on the Governor's proposed 2022-23 budget for child welfare and the implementation of recently funded programs.

Issue 9: AB 2083: Children and Youth System of Care

The Subcommittee has requested the following individuals to participate in a panel discussion on the AB 2083 Children and Youth System of Care:

- Kim Johnson, Director, California Department of Social Services
- Twylla Abrahamson, Ph.D., Licensed Psychologist, Director, Health and Human Services, Children's System of Care, Placer County
- Michael Lombardo, Executive Director, Prevention Supports and Services, Placer County Office of Education
- Jennifer Bloom, MA, Director of Client Services, Alta California Regional Center
- Susan Abrams, Deputy Director, Children's Law Center of California

Background. California's children and youth System of Care is responsible for ensuring the safety and permanent connections to family, as well as supporting the development, health, education and well-being of children and youth in foster care. Each system partner has longstanding state and local responsibilities to provide a range of services and supports for youth in foster care that are unique to each system. Each partner is also individually responsible for evaluating and responding to gaps in the array of services and supports required to be provided by their systems.

AB 2083: Children and Youth System of Care (Cooley, Chapter 815, Statutes of 2018) established a joint interagency resolution team comprised of the Department of Social Services (CDSS), Department of Health Care Services (DHCS), Department of Developmental Services (DDS), and Department of Education (CDE).

AB 2083 directed this team, in consultation with county agencies, service providers, and advocates for children and resource families, to develop and submit recommendations to the Legislature addressing any identified gaps in placement types or availability, needed services for children and resource families, or other identified issues for children and youth in foster care who have experienced severe trauma. AB 2083 also required the development of a multiyear plan for increasing the capacity and delivery of trauma-informed care to children and youth in foster care served by Short Term Residential Therapeutic Programs (STRTPs) and other foster care and behavioral health providers.

AB 2083 builds upon the implementation of Continuum of Care Reform (CCR), which, at its core, believes that all children served by the foster care system need, deserve, and have an ability to be part of a loving family, and not to grow up in a congregate setting. This work also stems from a shared belief that agencies serving children and youth must collaborate effectively to surround children and families with needed supports, services, and resources. Beginning in 2015, CCR provided significant investments in the practice of Child and Family Teaming, new funding for emergency caregivers, and increased funding and therapeutic standards for residential care in STRTPs.

In 2020, the joint interagency resolution team submitted an initial report to the Legislature titled Recommendations to the Legislature on Identified Placement and Service Gaps for Children and Youth in Foster Care Who Have Experienced Severe Trauma that provides a detailed outline of the existing responsibilities of each system of care partner agency and a series of recommendations for determining placement and service gaps. This report identified gaps through an evaluation of a variety of quantitative and qualitative data sources, including stakeholder survey data and feedback, technical assistance data, and multi-departmental matched data, including recommendations for addressing those gaps, and includes a multiyear plan for increasing capacity and delivery of trauma-informed care.

2023 Multiyear Plan for Increasing Capacity. In January 2023, the joint interagency team, under the direction of the California Health and Human Services Agency, released a Multiyear Plan for Increasing Capacity. The plan finds:

- Siloed practices in planning and delivering services are a major cause of the gaps and inefficiencies in how systems assess and respond to the needs of children and families holistically.

- Implementation of trauma-focused program models within the system of care is incomplete across the state in terms of the availability of trained professionals, evidence informed assessments and evidence informed intervention models.

- A statewide gap exists in programming with specialized competencies capable of serving the needs of children, youth, and families who have multiple co-morbidities or cross-system needs.

- Children and families need more proactive and holistic services across systems to stabilize children in their own families and communities and to reduce the incidence of foster care.

Children in out-of-home care. According to the AB 2083 report, of children in out-of-home care, a monthly caseload of approximately 33,000 are in a family-based foster care setting receiving an Aid to Families with Dependent Children-Foster Care (AFDC-FC) (such as a Resource Family Home) and a monthly caseload of approximately 3,500 are cared for in a congregate care setting (such as an STRTP). An approximate monthly average of 17,000 children are cared for under Kinship Guardianship placements. Finally, approximately 86,000 children a month are cared for by adoptive families receiving Adoption Assistance Payments.

Children on probation and in foster care. A child who has been declared a “ward” of the court for committing a violation of law may be placed in foster care based on a determination of the court. Probation agencies are responsible for the provision of child welfare services for these youth who are under the supervision of the juvenile court. As of July 1, 2022, the children ages 11 through 21 years of age, in which probation was responsible for the provision of child welfare, totaled 1,423. Of those children, 64 percent were between the ages of 18 through 21, 74 percent were males and 46 percent were on Supervised Independent Living Programs/Transitional Housing. The ethnic makeup of these children is 50 percent Latino, 27 percent Black, and 19 percent white.

Children in foster care returning from out of state facilities. In 2020, CDSS decertified all out of state facilities that formerly were used as residential placement options for California youth with complex needs after the death of a Michigan child during a restraint in one of the facilities that was certified and being used by California counties. 133 youth were returned to California and these youth are now residing in state in a variety of placement types such as STRTPs, relative placements, extended foster care, and other placements.

Children dually served by child welfare and the Regional Center system. According to the AB 2083 report, in 2019-20, approximately 10,370 individuals eligible for regional center services had child welfare involvement, which is five percent of all youth served by regional centers that year. The dually served youth population is disproportionately concentrated in the infant and toddler ages compared to the regional center youth population as a whole.

AB 2083 Capacity Gaps and Recommendations. The Multiyear Plan (Plan) includes an analysis of capacity gaps and recommendations for addressing those gaps. In general, many of the gaps identified relate to the challenges meeting the unique needs of children in the system and overcoming complex bureaucratic processes. Recommendations center on the need for further streamlining and coordinating care across the multiple systems and agencies serving youth, improving timely access to care, building out capacity for specialized services, and improving wraparound services that support children and youth in family-based settings. The information below summarizes findings and recommendations from the January 2023 report:

Gap 1: Unique Needs of Children and Families Involved with Child Welfare and Probation

The Plan finds that children and families involved with child welfare and probation have needs that would benefit from evidence-informed clinical interventions that target trauma, caregiver attachment, and the state of the child's social environment. Recommendations include:

- Utilize local MOU framework, with state collaboration, to evaluate Child and Adolescent Needs and Strengths data, utilization data, least restrictive placement settings, and other outcome measures to inform system of care capacity development and planning.
- Support providers' implementation of trauma-informed treatment models across the continuum of care.
- Prioritize capacity-building efforts that enable children with complex needs to have those needs coordinated within the child's home community and avoid out of county placements that result in disrupted clinical and non-clinical relationships.

Gap 2: Essential Competencies within Services, Supports, and Specialized Models of Care

The Plan finds that local regions struggle to put immediate supports in place upon a child's arrival in a new placement, even when needs are identified in advance. There are challenges to accessing services and supports across multiple systems for children and families with complex needs at risk of entering foster care. These challenges include a lack of mental health provider competencies necessary to serve children with co-occurring IDD and mental health conditions and issues accessing Substance Use Disorder (SUD) treatment. Recommendations include:

- Provide integrated early intervention and intensive trauma-focused treatment to infants, ages birth to five-years-old, and youth in foster care and their caregivers care by providing trauma-focused and integrated behavioral health assessments to all children in foster care.

- Provide upstream preventative and early intervention services to decrease the number of children in foster care with complex unmet needs such as SUD, Commercially Sexually Exploited Children (CSEC), and Posttraumatic Stress Disorder (PTSD).

- Establish highly specialized multi-agency assessment models for children and youth with exceptionally complex needs (such as SUD, CSEC, PTSD, Intellectual/Developmental Disability (I/DD)) to collaboratively assess and determine the appropriate level of care, needed array and intensity of services, and to ensure timely approval and implementation of services.

Gap 3: Care Coordination

The Plan finds that planning occurs in silos, which fragments care coordination for children and families. Wraparound, a care coordination and planning process, reflects a patchwork of quality and consistency across the state's counties and is frequently limited to a specific subpopulation of children. Recommendations include:

- Develop Wraparound as a cross-system care coordination model.

- Align the various notification, information sharing and confidentiality requirements.

- Provide guidance and/or technical assistance on expediting Court processes regarding assignment of an educational/developmental rights holder for children who are referred to a regional center for Early Start intake.

- Develop technical assistance resources for all system partners to support cross-system teaming, planning, cross-system notification and education coordination.

Gap 4: Family Finding and Engagement

The plan finds that across the state, family-finding practices, ICWA compliance and outcomes are highly varied. Further, children with the case plan designation of "permanent placement," meaning the child is unlikely to be reunified with the parent from whom the child was removed, reside in congregate care settings, and/or with resource family caregivers. Some of these children are not moving toward permanency. Recommendations include:

- Establish multiagency recruitment strategies that target recruitment of families with unique experience and competencies important for children with complex needs and for Indian children.

- Strengthen reunification efforts through implementation of trial home visitation coupled with parent coaching and the use of permanency specialists and peer partners.

Gap 5: Education and School Stability

The Plan finds that county offices of education and school districts sometimes experience difficulties coordinating and aligning services for students in foster care, including providing transportation to a child's school of origin and issues with schools not receiving notification regarding a child's change in residential placement. Recommendations include:

- Develop individual academic intervention plans at the school level for each foster youth, that includes academic interventions, mentoring, parent engagement, and a team approach to supervising children and youth in care.

- Ensure that placing agencies have policies in place to address school stability when making placement decisions, document notification of placement moves, and have plans to support transportation to the school of origin.

Gap 6: Case Worker Ratios

The Plan finds that county caseload ratios reflect a much higher ratio than what is recommended for children in all program areas. Gaps exist in case coordination, preventative and upstream planning, transition planning, and cross-system competencies, which impact timely access to coordinated supports and services. Recommendations include:

- Implement reduced and/or specialized caseloads and training regarding care coordination and specialized competencies like medical, trauma, mental health, and intellectual disabilities to increase caseworkers' ability to help families achieve safety and permanency, regardless of their level of needs.

Gap 7: Administrative Processes

The Plan finds that placement changes across county lines often lead to barriers to timely care due to confusion regarding administrative and referral processes, confidentiality and fiscal responsibilities, and overall procedural gaps in communication between all represented local agencies of each county. The Resource Family Approval (RFA) process is a barrier for relatives who wish to take youth into their homes due to a lengthy process and other obstacles. Recommendations include:

- Further evaluate regional center intake and service access timelines for children in foster care to ensure there is not only timely intake processes, but also timely access to services.

- Explore variation in the authorization and medical necessity determinations for specific services.

- Establish a state-local plan to improve consistency in the STRTP approval, certification, and contracting process.

- Establish partnership strategies within the interagency leadership team for resource family recruitment, and processes to facilitate ongoing and continuous support before and during placement.

Gap 8: Data Gaps – Local and State

The Plan finds that local and state data systems are siloed. Aligning varying definitions for data elements, including definitions of children in foster care across departments, remains a challenge, resulting in a reduced ability to compare data. Medical and behavioral health information is often not provided to resource parents at the time of placement. Recommendations include:

- Align Local Control Funding Formula, educational rights, and child welfare definitions to ensure one consistent definition of a child in foster care.

- Develop and align state and local metrics for shared system of care outcomes, both child-specific and system improvement.

- Create a Statewide Children and Youth System of Care data dashboard to indicate outcome measurements and transparency.

- Develop state technical assistance tools for local data-sharing pathways and models for local system partners.

Subcommittee Staff Comment. This is an informational item. No action is needed.

Staff notes that while the Multiyear Plan for Increasing Capacity report was released in January 2023, the Governor's budget for 2023-24 does not directly address the findings and recommendations from the AB 2083 report. Many new programs and initiatives funded in the 2021 and 2022 Budget Acts relate to the System of Care work, such as investments in building county capacity to support children with complex needs, child-specific funding, and the establishment of the Center for Excellence in Family Finding and Engagement, among many other investments. As noted earlier in this agenda, many of these programs are in the early stages of implementation and it is too early to be able to assess outcomes. The Legislature may wish to understand which gaps and recommendations identified in the AB 2083 report are being addressed by current programs and efforts that are underway, and which gaps and recommendations require further investment and resources that are not accounted for in the Governor's budget.

Staff also notes that the Governor's 2023-24 budget includes funding for 15 additional foster care specialists at Regional Centers as part of the Department of Developmental Services (DDS) budget.

Questions. The Subcommittee requests Kim Johnson, Director, CDSS respond to the following questions:

1. Please provide a brief overview of the AB 2083 Multiyear Plan for Increasing Capacity. What are the key characteristics of youth who are served by the System of Care? How many children and youth does CalHHS estimate have complex needs, and how does CalHHS define complex needs?

2. What are the key findings regarding gaps in the state's System of Care? What are the joint interagency team's recommendations for filling these gaps?

3. Since the release of the first AB 2083 report in 2020, what progress has the state made in addressing the needs of children and youth in care who have experienced severe trauma? What are the key barriers that remain in meeting the needs of these children and youth?

4. Please describe the Administration's plans to implement the recommendations of the AB 2083 report.

The Subcommittee requests Twylla Abrahamson, Ph.D., Licensed Psychologist, Director, Health and Human Services, Children's System of Care, Placer County, Michael Lombardo, Executive Director, Prevention Supports and Services, Placer County Office of Education, and Jennifer Bloom, MA, Director of Client Services, Alta California Regional Center respond to the following questions:

1. Please describe your agency's role in Placer County's System of Care. What are the unique needs of the children and youth in this system? How does your agency support these children? How does your agency work with partners in the System of Care to ensure children and youth have access to the services they need?

2. How does Placer County approach the System of Care work? What policies and practices have changed as a result of this interagency partnership, and what outcomes have you observed?

3. What elements of the System of Care have been successful in Placer County? What elements need additional development, resources, and attention?

4. How does Placer County's interagency leadership team interact with state agencies, in addition to local county partners, as part of the System of Care work?

5. Based on the experience in your county, what additional supports and improvements from the state are needed to support county Systems of Care?

The Subcommittee requests Susan Abrams, Deputy Director, Children's Law Center of California, respond to the following questions:

1. What services, supports, and structures are integral to supporting children and youth who have experienced severe trauma or who have complex support needs? What investments are needed to build out these services?

2. What approaches and models have been successful in implementing the System of Care? What approaches need improvement in order to improve outcomes for children and youth? Please discuss how local gaps may differ from statewide gaps.

3. How can the state center and prioritize positive outcomes for children and youth in implementing the recommendations of the AB 2083 report?

Issue 10: Implementation of Funding to Support Youth with Complex Care Needs

Background. Recent child welfare budget investments have included significant augmentations to increase county capacity, placement and program options, and funding flexibilities for youth with complex behavioral health and other care needs. The 2021 Budget Act included three new programs designed to assist counties serving children and youth in care who present with complex needs. This funding includes:

- **Child Specific Funding Allowances.** The 2021 Budget Act provided $18.1 million General Fund in 2021 22 and ongoing for individual foster youth with complex needs on a case-by-case basis. All counties are provided with an annual allocation, as determined by an allocation methodology developed by CDSS in partnership with the County Welfare Directors Association (CWDA) and Chief Probation Officers of California (CPOC). To access their allocations, counties are required to complete and submit a child specific funding template for each youth who benefits from the funds. The template details the youth's assessed needs related to behavioral health, permanency and family finding, and placement challenges, as well as any extraordinary developmental or medical needs. As of April 2023, CDSS approved $7.7 million in requests from 30 child welfare and four probation departments for 246 requests in 2021-22. In 2022-23, CDSS has approved $7.4 million requests from 28 child welfare and two probation departments for 119 requests. CDSS recently conducted a workgroup with CWDA and CPOC, and streamlined the request form as a result of this workgroup, which has led to an uptick in utilization of these funds.

- **County Capacity Building**. The 2021 Budget Act provided $43.2 million General Fund one-time to assist counties in the up-front costs of establishing a high quality continuum of care designed to support foster youth in the least restrictive setting possible. All counties are provided with a total allocation and the funding is available for five years (through June 30, 2026). To access their allocations, counties are required to submit proposals to CDSS (proposals can be submitted yearly or on a one time basis). Guidance from CDSS indicates that potential uses for the capacity building funding include:

  - Establishing specialized foster care models such as Intensive Services Foster Care (ISFC).
  - Funding therapeutic foster care, which is a specialty mental health service.
  - Providing intensive child specific recruitment, family finding, and engagement.
  - Developing specialized models of home based care, such as high fidelity wraparound and community based treatment programs, to act as alternatives to congregate care placements.
  - Contracting with highly specialized STRTPs for youth who otherwise might have been placed in an out of state congregate setting.

  As of March 2023, CDSS has received five county plans; four county plans (Riverside, San Bernardino, Stanislaus, and Los Angeles) have been approved, and one county plan (Orange County) is pending approval. CDSS continues to provide technical assistance and support to counties to assist in the development of plans. Requests received by CDSS total $12.6 million out of the $43.5 million available one-time funds.

- **Children's Crisis Continuum Pilot Project.** The 2021 Budget Act created the Children's Crisis Continuum Pilot Project, an initiative to be jointly administered by CDSS and DHCS, and provided $61.3 million General Fund to fund the pilot on a one-time basis, with funds available for five years (through June 30, 2026). The aim of the pilot is to allow counties to develop a robust, highly integrated continuum of services designed to serve foster youth who are in crisis—addressing currently perceived gaps in the existing array of crisis response services. According to guidance from the departments, the primary function of the pilot program will be to provide therapeutic interventions, specialized programming, and short-term crisis stabilization, and to ensure youth are able to transition seamlessly between placement settings and health care programs as needed. DSS and DHCS developed a Request for Proposal (RFP) process to solicit funding applications from counties; the departments released the RFP in July 2022 and proposals were due December 1, 2022. Eight county groups (several of these county groups are regional county collaboratives consisting of multiple counties in a region applying together) have applied for funding and been selected.

Subcommittee Staff Comment. Informational Item. No action is needed.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide an overview of the complex care funding included in the 2021 Budget Act.

2. Please provide an implementation update on the child-specific funding and county capacity building. What types of services and activities are being supported by these funding streams?

3. What insights is the implementation of these programs providing about the needs of youth who present with complex care needs?

4. What barriers exist for counties to access and utilize complex care funds? What feedback has the department received from counties and providers about the use of these funds?

5. Recognizing that these programs are in the early stages of implementation, what promising practices or approaches is the department observing or encouraging? What is the timeline to fully implement these practices statewide? How many individuals do these new models have capacity to serve?

Issue 11: Children's Crisis Continuum Pilot Program

Trailer Bill Language – Governor's Budget. This proposed trailer bill language would extend the timeframe for the implementation of the Children's Crisis Continuum Pilot Program for five years from the date grant recipients are selected.

Background. AB 153 (Committee on Budget, Chapter 86, Statutes of 2021) mandated CDSS, in consultation with the DHCS, establish the Children's Crisis Continuum Pilot Program. The goal of the Children's Crisis Continuum Pilot Program is to provide highly integrated, trauma-focused continuums of care for foster youth with high acuity needs that respond to a youth's mental health crisis and allow for seamless transition between less and more restrictive levels of care without delays caused by the need to arrange for appropriate supportive services.

WIC section 16551(a) requires the pilot program to be implemented for 5 years from the date of the appropriation. The date of the appropriation was July 1, 2021. Eligible applicants include counties or a regional collaborative of counties.

Given the complexity of the process to develop and administer the Request for Proposal (RFP) for the Children's Crisis Continuum Pilot Program, the RFP was not released to the public until July 13, 2022, giving applicants a due date of September 23, 2022 to submit their proposals. In order to give applicants additional time to complete their proposals, the due date was subsequently extended from September 23, 2022 to December 1, 2022. The extended deadline has also allowed for DHCS and CDSS to offer technical assistance, including office hour sessions, to assist counties with questions throughout the application process. The combination of the extended time to complete the proposals and the limitation that the pilot program may only be implemented for five years from the date of appropriation unintentionally shortened the timeframe for when the pilot program will actually be implemented to less than five years. The pilot program must be implemented for a full five years in order to evaluate adequately the effectiveness of the systems and services established pursuant to the pilot, and to make recommendations to the Legislature.

Additional time to implement. CDSS requests trailer bill language to amend the deadline for proposals to be submitted to the CDSS to December 1, 2022, to more accurately reflect the extended date that the proposals were required to be submitted and to amend the deadline for the disbursal of funds to June 30, 2023. CDSS additionally requests to extend the due date for the interim report to the Legislature from April 1, 2025 to April 1, 2027. This will allow CDSS and the DHCS sufficient time to gather and analyze data, as well as draft, finalize, and submit the interim report that will be able to draw significant and meaningful conclusions about the pilot's effectiveness.

Subcommittee Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide a brief overview of this trailer bill language proposal. How does this new model address the gaps identified in the AB 2083 plan? Please provide an update on the implementation of the crisis care continuum pilot program. What is the interaction between this pilot and the new model of psychiatric care adopted in AB 2317 (Ramos) which creates children's psychiatric residential treatment facilities (PRTFs)?

Issue 12: Adoption Facilitator Unit

In addition to the Department of Finance, CDSS, and the LAO, the Subcommittee requests Jill Jacobs, Executive Director of Family Builders, to comment on this issue.

Background. Chapter 1135, Statutes of 1996 (SB 2035) and Chapter 754, Statutes of 2006 (SB 1758) established Family Code (FC) sections that require CDSS to adopt regulations governing adoption facilitators, such as the establishment of a statewide registration process, authority to levy fees and civil penalties, and requirements for adoption facilitators to post surety bonds.

In an independent or private placement adoption, a person or organization may act as an intermediary, also known as an adoption facilitator. Adoption facilitators locate children available for adoption and act as intermediaries in the adoption process for a fee. An intermediary or adoption facilitator is any person or entity, except an approved or licensed agency, who acts on behalf of any birth parent or prospective adoptive parent in connection with the placement of a child for adoption.

According to the CDSS Registry of California Adoption Facilitators, there are 14 adoption facilitators registered in the state. CDSS does not currently have a mechanism for knowing how many adoptions these facilitators conduct.

Complaints and concerns about adoption facilitators. CDSS has received complaints against adoption facilitators whose activities have resulted in failed adoptions and have allegedly defrauded prospective adoptive families out of tens of thousands of dollars. Other facilitators have allegedly violated state law by soliciting children available for adoption. Existing law does not provide sufficient structure or mechanisms to guide the investigation, enforcement, and levying of penalties intended to address these violations by adoption facilitators.

Sacramento Bee Investigation. A recent Sacramento Bee investigation found that one local adoption facilitator received over $245,000 in payments from two dozen families looking to adopt and failed to secure an adoption for any of those families. The investigation concluded "California lawmakers have enabled private adoption facilitators to take advantage of prospective parents in an adoption system primed for abuse."[2] While licensed adoption agencies are heavily regulated, adoption facilitators are unregulated private businesses who charge clients fees to find children to adopt.

While facilitators are required to register with CDSS, they are not licensed, regulated, or overseen by the department. CDSS fields complaints about facilitators but is not empowered to address those complaints, leaving the state without an enforcement mechanism to address fraudulent practices by adoption facilitators. Despite a disclaimer on the CDSS website noting that the department does not provide oversight over adoption facilitators, several websites of registered adoption facilitators falsely claim that there are regulated or even licensed by the state of California.

The Sacramento Bee investigation also notes that many states have stricter regulations around private adoptions than California:

[2] Jason Pohl, "A Sacramento woman billed families thousands to find them a baby. Many say they were scammed," The Sacramento Bee, January 10, 2023.

> At least a dozen states have some form of prohibition on adoption facilitators... Delaware, Kansas and Maine "strictly prohibit" any use of such intermediaries. Similarly, nine other states — Connecticut, Georgia, Illinois, Massachusetts, Montana, New Mexico, North Dakota, Oregon and Wisconsin — allow only state-licensed agencies to place children into adoptive homes. West Virginia "prohibits any person from offering or receiving any compensation for locating a child for any purpose that entails a transfer of the legal or physical custody of the child." Other states have likewise taken aim at the money that keeps facilitators in business. Alabama, Colorado, Texas, Utah and Virginia cap the compensation facilitators can receive. Those states made it illegal for intermediaries to receive any payment for the placement of the child. All they are allowed to receive is reimbursement for actual medical or legal services.[3]

Budget Change Proposal – Governor's Budget. CDSS requests $1.2 million in 2023-24 and $1.1 million ongoing for five (5.0) permanent positions to fully implement the Adoption Facilitator Program activities pursuant to Chapter 754, Statutes of 2006 (SB 1758) and Chapter 1135, Statutes of 1996 (SB 2035). These activities include developing a process for complaints and investigation of complaints, consistent with requisite due process, for those individuals registered as an adoption facilitator. The requested positions include two (2.0) Staff Services Manager Is (SSM I), two (2.0) Associate Governmental Program Analysts (AGPA), and one (1.0) Research Data Specialist II (RDS II).

Trailer Bill Language – Governor's Budget. CDSS proposes trailer bill language to strengthen the department's authority to exercise necessary oversight of adoption facilitators to protect birth parents, children, and prospective adoptive parents from adoption facilitators who commit fraud or violate the law. This proposal would also establish a special fund to receive registration and annual renewal fees and civil penalty revenue from adoption facilitators.

The department's proposed trailer bill language:

- Updates the definition of adoption facilitator and the allowable means of advertising services, by broadening the definition of materials that are considered advertisements which must include a disclosure of the party placing the advertisement, including correspondence intended to attract clients.

- Clarifies that adoption facilitators cannot imply they are licensed adoption agencies or represent that they provide services for which they are not properly licensed, including legal services and therapeutic counseling.

- Clarifies registration and due process requirements.

- Requires, as part of the registration process, adoption facilitators to submit a "plan of operation."

- Establishes a special fund for the collection of civil penalties and registration and annual renewal fees from persons or entities operating as adoption facilitators.

[3] Jason Pohl.

Stakeholder Concerns. The California Alliance of Child and Family Services (California Alliance), which represents community-based non-profit organizations serving children, youth, and families, including licensed adoption agencies, recommends prohibiting the practice of adoption facilitators and requiring the use of adoption attorneys or adoption agencies.

The California Alliance notes that licensed adoption agencies "are bound by an extensive regulatory structure, have specific education and experience requirements, undergo regular audits and inspections by the state, are nationally accredited, and uphold strong ethical standards. This is the opposite of the practice of adoption facilitators who are unregulated and can prey upon vulnerable prospective adoptive families and birth families."

The California Alliance goes on to state that "At this time, individuals seeking to adopt can work with licensed adoption agencies, adoption attorneys accountable to the bar, or with adoption facilitators who are not accountable to anyone. Independent adoptions were originally structured for situations where the birth mother could choose someone, she knew to adopt her child. However, over time this has been exploited as a profitable business, much like a brokerage, where facilitators match prospective adopters with birth parents that have no prior connections to each other, for a fee."

The California Alliance suggests that should the Legislature choose to provide stronger oversight of the facilitators rather than outlawing the practice, the state should require:

- "Prior to an adoptive placement through a facilitator, and an attorney, the adoptive family be fingerprinted through the CDSS background check system and that an adoption assessment be completed by CDSS or a licensed adoption agency.

- Fees for facilitator services be approved and regulated by CDSS, just as licensed agency fees are.

- Facilitators should be required to inform both birth parents and prospective adoptive parents, of their rights, obligations, complaint process, fees charged, and other aspects of the matching and adoption process, through use of a signed Statement of Understanding. Independent adoptions should be considered a child welfare concern, rather than a probate matter, so that all children in California are afforded the protection of the State."

Subcommittee Staff Comment and Recommendation. Hold Open.

Staff notes that the recent Sacramento Bee investigation has exposed the severe lack of oversight and regulation of individuals who facilitate adoptions outside of licensed public and private adoption agencies.

By strengthening the department's authority to exercise oversight of adoption facilitators and providing staff resources to manage the Adoption Facilitator Unit, this proposal takes a step towards protecting birth parents, children, and prospective adoptive parents from adoption facilitators who commit fraud or violate the law.

However, this proposal works within the limitations of California's existing unusual legal structure for adoption facilitators, in which these entities remain unlicensed but have the appearance of being regulated due to their inclusion on the registry posted on the CDSS website. Even with the strengthened oversight provided by this proposal, the main mechanism for addressing problems with facilitators is through a complaints process.

When the original statute was enacted in 1996, substantial concerns existed regarding the creation of the adoption facilitator registry. In a 1996 opposition letter to the original legislation, the California Association of Adoption Agencies wrote that “it is clear that there is a complete misunderstanding of what is involved in the adoption of children in this state. It is the strongly held view of this association that the fact that individuals, without an adoption agency license, are engaged in "facilitating" contact between prospective adoptive parents and pregnant, and often vulnerable, women (and for profit!) is not an activity to be condoned by public policy. Such activity has been illegal in California since 1945."

Questions. The Subcommittee requests CDSS respond to the following:

1. Please describe existing law pertaining to adoption facilitators and the adoption facilitator registry, including how adoption facilitators are distinct from licensed adoption agencies and attorneys. What changes are needed to allow CDSS to address complaints about the adoption facilitator industry?

2. Some states have banned the use of intermediaries in private adoptions or limit what they can be paid. Why did the Administration select this approach of strengthening the online registry for adoption facilitators?

3. The trailer bill language adds a requirement that adoption facilitators submit a “plan of operation.” What would the “plan of operation” entail? How would CDSS ensure the plan is compliant with state law and regulations?

4. Does the department have plans to gather data on how many adoptions are arranged by adoption facilitators?

Issue 13: The Foster Youth Bill of Rights Translation (AB 1735)

Budget Change Proposal – Governor's Budget. The CDSS Office of the Foster Care Ombudsperson (OFCO) requests one-time $500,000 General Fund, with $300,000 made available in 2023-24, and the remaining $200,000 budgeted in 2024-25 to translate, design, publish, and disseminate the Foster Youth Bill of Rights to counties and licensed children's residential facilities statewide as mandated by existing statute and AB 1735. The requested funding schedule will allow the OFCO to meet its obligations to engage with counties, advocates, and foster youth in the design of the materials.

Background. The OFCO was created by statute in 1998 as an autonomous entity within CDSS to protect the interests and rights of the approximately 55,000 children in foster care by providing them a means to make complaints and resolve issues related to their care, placement, services, and rights. The OFCO conducts impartial investigations and provides a system of accountability mechanisms by recommending system-wide policy recommendations to benefit children and families and presenting those findings to the Legislature, Governor's Office, and Child Welfare Organizations across California.

Chapter 416, Statutes of 2019 (AB 175) expanded the rights afforded to foster youth for the first time in 20 years. It required the OFCO to develop standardized and age-appropriate informative materials for foster youth and foster youth facilities. To this end, working in conjunction with various stakeholders, OFCO developed a teen handbook, a wallet-sized accordion, and a coloring book explaining foster youth rights. These were finalized in November 2020.

California Health and Safety Code (HSC) section 1530.91 requires any facility licensed to provide foster care for six or more children to post a listing of the foster child's rights developed by the OFCO. Moreover, the statute requires OFCO to provide these posters to all licensed foster care facilities.

AB 1735 (Chapter 405, Statutes of 2022) modified the Foster Youth Bill of Rights, so that a child who speaks a primary language other than English will have the right to receive a copy of their rights in their primary language. This bill also requires that when a child is entitled to receive a copy of a court report, case plan, and transition to independent living plan, those items are to be provided in the child's primary language.

Subcommittee Staff Comment and Recommendation. Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide a brief overview of this proposal.

Issue 14: Family First Prevention Services Act

Federal Family First Prevention Services Act (FFPSA). The FFPSA is a federal law passed in 2018 designed to enhance support services for families to help children remain at home and reduce the use of unnecessary congregate care placements by increasing options for prevention services, increased oversight and requirements for placements, and enhancing the requirements for congregate care placement settings. The key components of FFPSA include:

- Support prevention services. The law gives states and tribes the ability to claim federal financial participation for providing eligible individuals with an array of approved foster care prevention services to strengthen families and keep children from entering foster care.
- Provide support for kinship (relative) caregivers through federal funds for evidence-based Kinship Navigator programs that link relative caregivers to a broad range of services and supports to help children remain safely with them.
- Establish new requirements for youth being placed in residential treatment programs and improve quality and oversight of intensive and trauma-based services.
- Require access to family-based aftercare services to children at least six months post-discharge from STRTPs.
- Improve services to older and transition-age youth. The law gives states the ability to provide services to former foster youth, up to age 23, who have aged out of foster care, as well as expanding eligibility requirements to the Education & Training Voucher (ETV) program.

Background. Federal Title IV-E funds have been one of the main funding sources for child welfare activities among states. The FFPSA of 2018 changed the way Title IV-E funds can be spent by states. Before FFPSA, Title IV-E funds could not be used to fund prevention services to prevent foster care placement. The FFPSA is divided into several parts; Part I (which is optional and related to prevention services) and Part IV (which is required and related to congregate care placements) have the most significant impacts for California. Part I of FFPSA expands the use of Title IV-E funds for prevention services. As required by the law, California began implementation of Part IV on October 1, 2021, to prevent the loss of federal funds for congregate care. FFPSA also makes changes to ensure the appropriateness of all congregate care placements, reduce long-term congregate care stays, and facilitate stable transitions to home-based placements.

State Prevention Plan. To opt in to Part I of FFPSA, states must submit a five-year Title IV-E prevention plan (state plan) to be approved by the federal Administration of Children and Families (ACF). A state plan must detail the state's selection of evidence-based prevention services; plans for identifying populations at imminent risk of entry or reentry into foster care (who may be assessed as candidates); and the approach that will be used to comply with federal evaluation, model fidelity, activity and outcome tracking and reporting, and safety and risk monitoring requirements. CDSS submitted the state plan to ACF in August 2021 and received significant feedback and questions from ACF. In response, CDSS submitted an updated state plan for federal approval in November 2022. This resubmission included several updates around California's selection of evidence-based practices (EBPs), eligibility and candidacy, target population for EBPs, implementation and continuous monitoring of EBPs, oversight of monitoring child safety, child welfare workforce training and support, and more. Another updated state plan was submitted in March 2023 and was recently approved.

2021 Budget Act. The 2021 budget included $222.5 million General Fund in 2021-22, to be expended over three years, to assist counties with new prevention services implementation efforts allowable under the FFPSA. These one-time resources will assist counties to build locally driven prevention services and supports for children, youth, and families at risk of entering foster care. The 2021 Budget Act also included $32 million General Fund for the state's share of new costs required to meet the requirements of FFPSA Part IV. All 58 counties have expressed their intent to CDSS to opt in to receive block grant dollars and were required to submit their comprehensive prevention plans (CPPs) to CDSS by July 31, 2023. Prior to submitting their plans, counties also were required to complete capacity and readiness assessments and asset mapping and needs assessments to guide selection of Title IV-E-eligible EBPs and other prevention strategies. CDSS has been providing technical assistance to counties as they prepare their CPPs.

Title IV-E Claiming for EBPs. In order to begin claiming Title IV-E funds for services included in the state prevention plan, the state must be able to meet federal requirements around tracking per-child prevention spending. Such tracking is beyond California's child welfare data system's current capacity, but will be incorporated into the forthcoming CWS-CARES. According to the LAO, based on historical progress of CWS-CARES development, this solution could take significant time—potentially several years—to develop.

Transition Support for STRTPs With 16+ Beds. In defining criteria for Qualified Residential Treatment Programs (QRTPs), the federal Centers for Medicare and Medicaid Services (CMS) established that Institutions for Mental Disease (IMDs) cannot be QRTPs and therefore would be ineligible for federal Medicaid financial participation. In particular, larger behavioral health facilities (those with 16 or more beds) would be defined as IMDs. In July 2020, DHCS requested that CMS exempt California's STRTPs from being considered IMDs. CMS rejected this request and indicated that each STRTP must be reviewed individually to determine whether it should be deemed an IMD. DHCS was required to make these individual determinations by December 2022. To support facilities that would otherwise have been determined to be IMDs (those with 16+ beds) the 2021-22 and 2022-23 budgets provided around $10 million in each year to help those facilities transition their program model. Thirteen STRTPs in total received transition funds. Of those, 12 facilities (with total capacity of 238 beds) have successfully transitioned their program models, while one facility (25 beds) ultimately has chosen not to transition. Two additional facilities (157 beds) opted not to receive transition funds. CDSS and DHCS are in communication about the plan for the three non-transitioned providers.

Subcommittee Staff Comment. This is an informational item. No action is needed.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide a brief overview of the FFPSA and California's efforts to come into compliance with FFPSA.

2. The 2021 budget included $222.5 million General Fund in 2021, to be expended over three years, to assist counties with new prevention services implementation efforts allowable under the FFPSA.

What is the status of this funding? What types of prevention services are counties proposing as part of their comprehensive prevention plans?

3. What is the department's projection for when the state's data system will be able to track prevention spending on a per-child basis? What amount of federal Title IV-E funds is the state forgoing as a result of not having this capacity?

Issue 15: Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) Project Update

Background. The Child Welfare Services (CWS) program is the primary prevention and intervention resource for child abuse and neglect in California. The Child Welfare Digital Services (CWDS) organization is responsible for maintaining and operating the existing Child Welfare Services/Case Management System (CWS/CMS) and the development of the Child Welfare Services – California Automated Response and Engagement System (CWS-CARES). The CWDS is a partnership of the California Department of Social Services (CDSS), the Office of Systems Integration (OSI), and the County Welfare Directors Association, in collaboration with 58 local child welfare agencies and tribal partners representing the Indian Child Welfare Act. The CWDS works closely with other State of California stakeholders including the California Health and Human Services Agency, the California Department of Technology (CDT), and the Department of Finance.

The CWS/CMS is the existing statewide system used by approximately 30,000 county, tribal, and state workers, that automates the case management, service planning, and information gathering functions of child welfare services. However, the CWS/CMS, which was initially implemented in 1997, is outdated with technical constraints that cannot keep pace with state and federal laws that change child welfare practices and system requirements. The CWS/CMS does not provide adequate support for innovation and new practices, and due to its aged technology, it is not an efficient and effective system capable of achieving federal Comprehensive Child Welfare Information System (CCWIS) compliance.

In January 2013, the California Department of Technology (CDT) approved the project's Feasibility Study Report to implement a fully automated, web-based solution. In November 2015, the project moved away from a "waterfall development approach" and adopted an "agile approach" with iterative custom development and incremental releases to production of distinct functional modules. However, this approach required reassessment due to the length of time it was taking to custom build the CWS-CARES.

In August 2018, the CWDS conducted extensive research to identify Platform-as-a-Service (PaaS) offerings that enable rapid configuration and/or development while providing a secure and scalable infrastructure. The research resulted in a decision to use Salesforce, which will allow the CWDS to focus on development to support core business needs while retaining key project objectives, such as involving county partners for user-centered design and configuring/developing in an agile, iterative way. In tandem, the CWDS will deliver the CWS-CARES data services on the CARES Data Infrastructure (CDI). Together, operational applications delivered on the Salesforce platform and data services delivered on the CDI make up California's CCWIS.

Budget. According to OSI, the total project cost from 2013 through 2025-26 is $911.4 million. The 2022-23 OSI budget includes $143.2 million ($75 million General Fund).

Project Status. The CDT approved the Special Project Report (SPR) 4 on April 1, 2021, to continue with the Design, Development, and Implementation of the CWS-CARES. The project completed the procurements and executed the primary vendor contracts by April 2021. In May 2021, the project selected a demonstration module for the initial CWS-CARES development, which allowed the project to test the new Salesforce Platform as a Service (PaaS) development and delivery approach, including the CDI, along with the newly established Service Delivery Lifecycle. The demonstration module selected was the

Resource Family Approval (RFA) Application Submission, Review and Approval process that provides the ability to create and submit an RFA Application to a given county. The RFA Application process was implemented in the pilot counties in February 2022. The RFA Application process is considered complete and is being supported through the release of minor enhancements and fixes.

RFA Application. This program allows an applicant or county staff member to initiate an emergency or standard application to become a resource family home; creates a facility profile that tracks required information to complete the process; includes background check results; completion of orientation and training hours, physical home evaluation and family evaluation; and aggregates information into a written report to recommend approval or disapproval of a resource family application.

Contractors. CWS-CARES is a highly complicated project spanning from 2013 to 2025-26. There are currently 14 separate vendors contracted with the state as part of this project. According to OSI, it has become clear that the CWS-CARES project needed more formality around the complex and critical systems integration work and began to review existing processes and vendor contracts for ways to implement lessons learned moving forward.

To ensure that the state gets the systems integration services needed to succeed, the project, in partnership with the California Health and Human Services Agency, and the CDT identified specific areas for contract negotiations with all impacted vendors. The project is in the process of amending the PaaS SI and Product Value Services contracts to align with strengthened system integration activities and accountability in the PaaS SI contract, including updated roles and responsibilities among the vendors.

On May 13, 2022, the project received approval of its SPR 5. The approved SPR 5 described known changes to the project's development approach and the activities that needed to occur prior to the start of the development activities of the CARES V1 in June 2022. On June 20, 2022, the CARES V1 development activities began and the first three sets of functionalities to be developed are Service Provider Profile, Services, and Screening.

Federal FFPSA Funding. Until CWS-CARES is implemented, counties will not be eligible to draw down federal Title IV-E dollars for child-specific prevention services costs. In the interim, counties will be able to claim administrative costs.

CWS-CARES overall project health is rated as "Red." The CDT, which provides independent project oversight, escalated this project's health rating to "red" in July 2022. This assessment is based on the lack of project components which had been completed, including contract amendment negotiations, the county engagement model, the CARES VI rollout strategy and schedule, among others.

Subcommittee Staff Comment. This is an informational item. No action is needed.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an update on the CWS-CARES project. What has been accomplished over the lifetime of the project, and what work remains?

2. What is the current timeframe for this project to be completed?

3. Please describe how the department is working to address problems with the project identified by CDT.

4. When will CARES have the functionality needed to allow counties to draw down federal Title IV-E dollars for child-specific prevention services?

Issue 16: Children and Family Services Stakeholder Proposals for Investment

The Subcommittee has received the following stakeholder proposals for investment related to CDSS Children and Family Services:

1. **Housing Affordability for Foster Youth in Supervised Independent Living Placements (SILPs).** John Burton Advocates for Youth (JBAY) proposes $16.5 million General Fund ongoing, to provide a monthly housing supplement for foster youth in SILPs.

   According to JBAY, "California increased the upper age of foster care from 18 to 21 with the passage of Assembly Bill 12 in 2010. As part of that legislation, California created the SILP, a new foster care placement exclusively for 18-to-21-year- olds that provides a greater selection of living options and a higher level of independence. To live in a SILP, a youth must be assessed as "ready" by their county social worker. If they are, the youth is responsible for identifying a living setting… As of July 1, 2022, the SILP was the single- most utilized placement in California for 18- to 21-year-olds, with a total of 3,361 (41 percent) nonminor dependents in this placement."

   According to JBAY, housing costs have outpaced the SILP rate increase. This proposal would augment the foster care rate paid monthly to youth in SILPs by providing supplemental funding to adequately cover housing costs.

2. **Raising the Age for Extended Foster Care.** The California Judges Association proposes $25 million General Fund ongoing to raise the age of extended foster care from age 21 to age 22, pursuant to SB 9 (Cortese).

   According to the California Judges Association, "Data overwhelmingly proves that foster youth benefit tremendously for every additional year they are able to voluntarily remain in extended foster care. With this extension, qualifying youth will be able to continue receiving their benefits and housing accommodations for an additional year (to age 22) so that they may have a wider safety net."

3. **Child Welfare Services: Serving Youth with Complex Needs.** The County Welfare Directors Association (CWDA) and the Chief Probation Officers of CA (CPOC) propose $43.7 million General Fund in 2023-24 and $52.8 million General Fund ongoing to create new models for serving foster youth with severe trauma and complex needs. According to CWDA and CPOC, "the current STRTP model, as designed, lacks other necessary staffing and direct services to meet the complex needs of many foster youth, such as medical/physical health care needs, intellectual and developmental disabilities, and special educational needs." This proposal consists of the following components:

   - *Short-Term Assessment, Treatment and Transition Program (STATT) with Care Team Component:* This new service (STATT) would be licensed by CDSS to provide intensive stabilization, assessment, therapy and other direct services for foster youth with complex needs to support youths' transition to a residential setting or family-based setting as appropriate. This model would build upon and enhance the existing STRTP licensing standards, to include additional on-site, 24/7 staffing requirements and would include a

Care Team consisting of health, behavioral health, and other direct service providers to perform assessment and either directly provide, or facilitate the provision of, services and supports to the foster youth on-site and for up to six months post-discharge.

- *Regional Health Teams:* This component leverages 90 percent federal funding for up to two years to establish up to ten Regional Health Teams (RHTs) to serve any foster youth or youth at risk of foster care placement, if that youth is in acute crisis and requires higher-level diagnostic screening, assessment, and service access, beyond what is typically immediately accessible through the child's primary care provider, mental health clinician, or regional center.

- *Continuously Appropriate Existing Complex Care Funding to Counties:* This component would make the one-time, $43.2 million appropriation to establish services for youth with complex needs an annual appropriation to sustain staffing and capacity for these critically needed services. It would also broaden the allowable uses child-specific funding.

4. **Stabilizing and Strengthening Family Resource Centers.** The Child Abuse Prevention Center, California Family Resource Association, and California Alliance propose $75 million one-time over three years to support a network of family resource centers.

   According to this stakeholder group, "Funding would help ensure family resource centers may continue delivering services and/or expand activities and opportunities within the communities where they are already trusted partners, to help meet the growing demand for services such as access and linkage to mental healthcare, public benefit system navigation, and other life-saving supports for children and families. Supports offered by family resource centers reduce child abuse and neglect in communities and ensure significant cost avoidance through the reduction of referrals to Child Protective Services and subsequent mandated programming and services, netting Child Welfare Systems a 365 percent return on investment for every dollar spent."

5. **Bridging towards tomorrow to support and retain critical social work staff for family focused agencies (FFAs).** The California Alliance and the National Association of Social Workers, CA Chapter propose $11.9 million in one-time funding to provide a temporary increase for FFA social worker salaries.

   According to the California Alliance, "Social workers employed by nonprofit FFAs experienced a 32 percent turnover rate over in the last year. Foster Family Agency Master's Level social workers serve 9,888 foster youth or 1/4 of all foster children living in foster and resource family homes and more than 90 percent of the youth living in Intensive Services Foster Care homes. The primary reason driving this high turnover rate is the FFAs' inability to pay competitive salaries due to the State setting the pay rate for FFA social workers at levels far below what is needed to recruit and retain them… Permanency was achieved in 74.5 percent of the cases where there was one social worker compared to less than 2.2 percent with more than three social workers."

6. **Community Treatment Facility (CTFs) Supplement.** The California Alliance proposes $918,408 General Fund ongoing to supplement CTFs.

According to the California Alliance, "CTFs were created in the mid-1990s as an alternative to out-of-state placements and the state's psychiatric hospitals. As a result of successful efforts statewide to reform and de-institutionalize mental health care services for children and youth, only two CTFs remain in CA to treat children with the most severe, complex trauma and serious emotional challenges that require intensive services in a secured environment, Star View Adolescent Center in Torrance, and Vista Del Mar Child and Family Services in Los Angeles. The supplement established 23 years ago does not meet the current cost of providing services. The California Alliance requests increasing the supplement to be $161 dollars per day per child ($4,830 per month total) with a split of 60 percent county and 40 percent state to match what the increases would have been if annual COLA were given."

7. **California Success, Opportunity, and Academic Resilience (SOAR) Guaranteed Income Program.** The Economic Security Project, Young Invincibles, and Generation Up propose $85 million one-time for a pilot program to provide five months of guaranteed income ($1,000) to homeless high school seniors, pursuant to SB 333 (Cortese).

   According to these stakeholders, "The CalSOAR Guaranteed Income Program is a first-in-the-nation proposal to establish a guaranteed income pilot program that serves California pupils experiencing homelessness. The program will provide a critical lifeline to these youth during their transition out of high school and into the workforce or higher education."

   This is a non-presentation item.

8. **Bridging towards tomorrow for foster youth with behavioral health needs in Short-Term Residential Therapeutic Programs (STRTPs).** The California Alliance proposes $42.6 million General Fund one-time to increase STRTP staff salaries until final foster care rates are adopted in 2025.

   According to the California Alliance, "To serve youth with more specialized needs that require more attention, staff who are qualified and experienced are imperative to the quality of care our youth deserve. However, the current STRTP rate structure does not support providing high quality care and paying livable salaries with the ability to attract trauma-informed knowledgeable and skilled staff. Increasing funding for STRTPs is necessary for the survival of these programs that provide vital resources for youth with higher needs. More funding and staff retention also yields better outcomes with youth in temporary residential settings as they build better connections and trust with the staff they see on a daily basis."

   This is a non-presentation item.

5175 Department of Child Support Services

Issue 1: Department of Child Support Services (DCSS) Overview

The DCSS provides services to locate parents, establish paternity, and establish and enforce orders for financial and medical support. The department is also responsible for oversight of county and regional local child support agencies (LCSAs) that work directly with families in the community.

Governor's Proposal.

Department of Child Support Services
Expenditures by Fund Source
* Dollars in thousands

Grand Total By Fund	Fiscal Year	
	2022-23	(Proposed Budget) 2023-24
General Fund	$366,193	$378,565
Federal Funds	$643,431	$763,333
Reimbursements	$123	$123
Child Support Collections Recovery Fund	$154,621	$57,720
Total All Funds	$1,056,947	$1,199,741

Funding Increase for local LCSAs. The Governor's budget includes $35.8 million ($12.2 million General Fund) to increase support for local child support agencies.

According to DCSS, this augmentation would allow LCSAs to maintain current service levels and avoid a de facto budget reduction because LCSAs would otherwise need to hold positions vacant to achieve salary savings and absorb the cost increases. Each fiscal year the funding calculator is updated to capture the most recent caseload, staffing data, and call volumes. This proposal includes the following components:

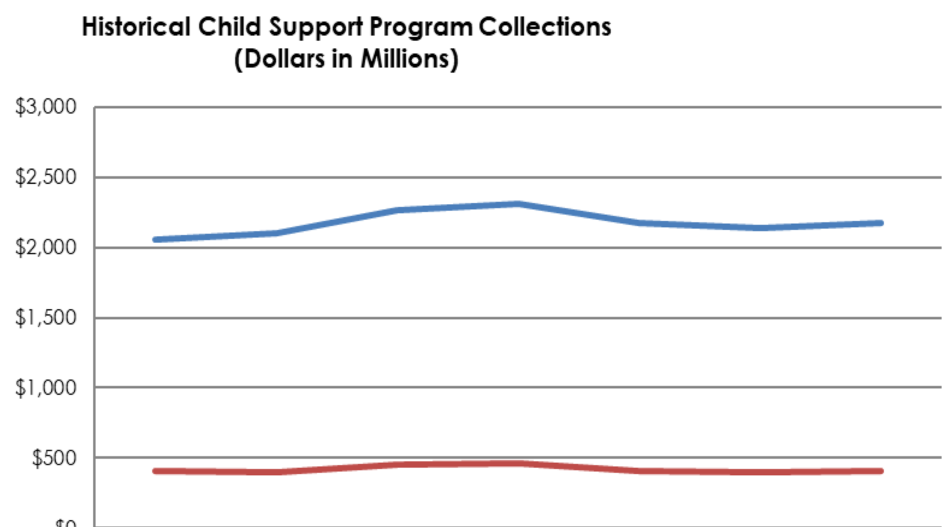
- **Caseload**: this proposal assumes a statewide net increase of 43.5 positions as a result of increased case opening and establishment workloads.

- **Call Volumes:** this proposal assumes an increase of 3.9 positions in call center staff to support additional call volumes.

- **Personnel Costs**: this proposal assumes an increased cost for LCSA casework and administrative staff by $3,773 per year and for call center staff by $7,673. According to DCSS, these cost increases are based on approved union agreements for cost-of-living increases ranging from one to nine percent; merit/step increases across all LCSAs; and other staff benefit costs such as health care and retirement. This increase forms the bulk of the LCSA funding proposal, at $28.6 million ($9.7 million General Fund).

The 2021 Budget Act included $56.1 million for LCSA staffing. DCSS reports that as a result of this funding, LCSA staffing levels in underfunded counties increased by 2.2 percent, by over 88 positions. Specifically, Fresno, Kern, Sacramento, and San Bernardino contributed largely to this increase as their staffing levels increased by 12 positions or more by the end of the second quarter. Statewide, counties have been implementing aggressive recruitment practices such as creating continuous recruitments for high attrition positions, negotiating higher starting pay within the classification range, offering modified telework schedules and streamlining the recruitment process to complete the process in less time.

Child Support Collections. Prior to COVID-19, DCSS collected approximately $2.4 – 2.5 billion in total collections with around $400 million towards government recoupment. During the pandemic, collections increased dramatically ($2.8 billion), attributed to unprecedented fiscal stimulus received by California families in the form of direct stimulus and enhanced unemployment benefits. Collections have since decreased to approximately $2.5 billion. Given the tight labor market, low unemployment rate, and increases in average pay, DCSS estimates 2023-24 collections of $2.58 billion (0.21% increase compared to 2021-22), of which $408.8 million is assistance collections towards government recoupment and $2.17 billion is non-assistance collections to families.



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (est.)	2023-24 (est.)
Total	$2,463	$2,502	$2,718	$2,770	$2,580	$2,533	$2,585
Assistance Collections	$410	$398	$454	$462	$409	$401	$409
Non-Assistance Collections	$2,052	$2,104	$2,264	$2,308	$2,171	$2,133	$2,176

Source: Department of Child Support Services.

Arrears. As of December 2022, child support arrears totaled $18.1 billion. Of that, $6.5 billion is owed to government agencies and $11.6 billion was owed to families.

State and Federal Recoupment of Public Assistance Costs. Under federal law, a family receiving public assistance via TANF (which is the block grant that funds CalWORKs) must assign their rights to child support payments to the state. The state, through LCSAs, intercepts and collects the child support payments. The noncustodial parent must reimburse the state for any CalWORKs or foster care funds expended by the state, as well as an amount that is passed through to the custodial parent. A portion of a child support payment collected in a given month is passed through to the family; families with one child receive up to $100 per month and families with two or more children receive $200.

When a family leaves the CalWORKs program, the family regains its rights to the child support payment. However, if the non-custodial parent has payments in arrears, the state continues collecting and retaining payments as reimbursement for costs associated with benefits paid to the family. The cumulative amount of assistance paid to a family which has not been repaid through assigned support collections is known as the unreimbursed assistance pool (UAP). When the UAP is paid in full any continued child support is paid to the family.

The federal government allows states to waive their recoupment for public assistance costs. However, the state is required to reimburse the federal government for their recoupment share for currently assisted cases. This is not required for formerly assisted cases. If the state waives recoupment for formerly assisted cases and passes the entire collection to the family, the federal government will also waive its recoupment share.

Implementation of the Full CalWORKs Pass-Through. The Legislature has moved in recent years to end the practice of intercepting child support payments from low-income families on CalWORKs.

- **Formerly assisted families**: As part of the 2022 Budget Act agreement, the state ended the practice of intercepting child support payments from families who were formerly enrolled in CalWORKs. The 2022 Budget Act included $187 million ongoing to waive the state's share of recoupment of child support payments for formerly assisted families. Trailer bill language in the 2022 Budget Act allows the pass-through for formerly assisted families to begin on July 1, 2023.

- **Currently assisted families:** In addition to ending the interception of child support payments for formerly assisted CalWORKs families, the 2022 Budget Act includes trigger language for $75 million General Fund in 2024-25 and $150 million in 2025-26 to implement a full pass-through of child support payments to families currently receiving CalWORKs assistance.

Automation issues are delaying implementation of the full pass-through to former CalWORKs families. The requirement to end the interception of child support payments from formerly assisted CalWORKs families by July 1, 2023, is contingent on the Child Support Enforcement System completing the necessary automation to perform this function. Recently, the department informed the Legislature that the revised implementation date is April 2024. According to DCSS, the technical and programmatic experts working on implementation have determined the web of impacts to be greater than previously envisioned. Therefore, to implement an effective change that meets program expectations, additional time is necessary to develop and test the system thoroughly to prevent unintended errors and incorrect disbursements. The department plans to make the necessary budgetary adjustments in the May Revision, to account for the delayed implementation date.

Implementation of the full pass-through for current CalWORKs families is contingent on an appropriation in 2024-25. The 2022 Budget Act includes trailer bill language to enact this change subject to appropriation in 2024-25 and states legislative intent for the DCSS to implement a full pass-through of child support payments collected to families currently receiving CalWORKs benefits by January 1, 2025. DCSS notes they are awaiting the results of the trigger evaluation in Spring 2024 and would propose the necessary statutory and budgetary changes for implementation as part of the 2024-25 May Revision.

The 2022 Budget Act also requires CDSS, in conjunction with the DCSS, to convene a workgroup to evaluate unintended consequences of enacting a full pass through of child support payments to custodial families currently receiving CalWORKs benefits, and submit a report to the Legislature by April 1, 2024.

An additional report by CDSS and CDSS is due May 1, 2023. This report will evaluate how the pass-through of child support for formerly assisted families impacts an individual or family's eligibility determination for other need-based public assistance programs.

Debt Reduction. In May 2021, the department implemented a new debt reduction program to replace its standard Compromise of Arrears Program (COAP). COAP was established to address uncollectible government-owed arrears. COAP considered a participant's ability to pay based on actual income but required repayment of at least ten percent of the outstanding arrears balance. The minimum repayment for the new debt reduction program:

- Establishes income eligibility thresholds and a minimum repayment structure that assesses participants' ability to pay in consideration of Gross monthly income, family size, and cost-of-living for the participant's county, state or territory of residence.

- Calculates cost-of-living using basic living expense standards that are published annually by the Internal Revenue Service (IRS), including: housing and utilities (county-level standard), transportation (regional standard), food, clothing and personal care (national standard), and minimal out-of-pocket medical costs (national standard).

- Streamlines eligibility processes, increases accessibility to more case participants, and provides greater flexibility to structure agreements that support successful outcomes, giving more people an opportunity to be free from an insurmountable debt load.

Since the revamp of the COAP program in 2021, DCSS has experienced several positive program outcomes, including: a 116 percent increase in applications received, a 135 percent increase in applications approved, a 186 percent increase in compromises approved, a 104 percent increase in repayments approved, and an 81 percent increase in total collections received.

Uncollectible Debt. The 2021 Budget Act included trailer bill language to cease enforcement of state-owed child support arrearages determined to be uncollectible. DCSS reports that they have already implemented some sections of the statute regarding case participants that are solely on CAPI/SSI/SSP/SSDI/Veteran Disability Compensation. DCSS has contracted with UC San Diego to conduct a collectability study comprised of child support data of current case participants. DCSS is currently working with UCSD and LCSA directors to review initial collectability results. The department plans to draft policy changes and regulations in line with the final study results and will brief the Legislature and other stakeholders as progress moves closer towards full implementation.

- **Stakeholder Proposal for Investment.** The Truth and Justice in Child Support Coalition proposes California provide immediate relief from uncollectible child support arrears. According to the Coalition, "for over 40 years, California has required non-custodial parents to repay the state for public assistance received by the custodial family. When parents cannot afford to pay, a child support debt to the state grows rapidly, because California adds 10 percent interest each year. As a result, today low-income parents owe over $6.5 billion in unpaid child support debt to the state. Research shows that 95 percent of this debt is uncollectible. Some of this debt is decades old and some is owed by very low-income parents. California can forgive the uncollectible debt at no cost to the federal government and provide immediate relief to thousands of parents. This is not debt owed to the other parent; this proposal is only to eliminate the uncollectible government-owed child support debt." The Coalition further notes that "lifting the burden of child support debt from parents has shown to reduce employment barriers, improve housing status and credit scores, and most importantly, improve parent-child and co-parenting relationships. All of these outcomes occurred when San Francisco piloted a program to forgive government-owed child support debt."

Federal Flexibility, Efficiency, and Modernization in Child Support Final Rule (Final Rule). The federal Final Rule was published in December 2016 by the federal Office of Child Support Enforcement. The Final Rule focuses on setting child support orders that are accurate, and based on the parent paying support's (PPS) ability to pay. The 2017 Guideline Review Report, issued by the Center for Families, Children, and the Courts from the Judicial Council of California reviewed California statutes for compliance with the Final Rule and issued a series of recommendations for statutory change. The department and Judicial Council convened a workgroup in summer 2019 to review those recommendations and invite stakeholder input regarding proposed changes. Subsequently, AB 3314 (2020) was introduced. That bill included proposals developed by the 2019 workgroup and aimed to bring California into compliance with the Final Rule by September 2022. However, due to the COVID pandemic, the bill did not move forward. In light of the pandemic, the department obtained an extension until September 2024 for compliance with the Final Rule.

The 2022 Budget Act included trailer bill language making several changes to help bring the state into compliance with federal requirements relating to child support collections, including suspending a money judgment or order for child support for a paying parent who is incarcerated or involuntarily institutionalized, requiring the Judicial Counsel to include additional data in its review of the statewide uniform guidelines for child support, and requires the court, when determining earning capacity of a parent to consider specified circumstances.

In addition, the department has been working with the Legislature to draft proposed statutory changes to bring California into full compliance with the Final Rule. There are currently two policy bills, SB 343 (Skinner) and AB 1755 (Committee on Judiciary), which are moving through the legislative policy process.

Subcommittee Staff Comment and Recommendation. Hold Open.

Subcommittee staff notes that the delay in implementing the pass-through for formerly assisted CalWORKs families will lengthen the amount of time that the government continues to intercept child support payments from low-income families. Continued monitoring and oversight of the department's implementation is necessary to understand the reasons for the delay and ensure that no further delays occur.

Questions. The Subcommittee requests DCSS respond to the following:

1. Please provide an overview of the department's proposed 2023-24 budget.

2. Please provide an overview of how the $35.8 million ($12.1 million General Fund) LCSA augmentation will be used. How have LCSAs used the $56.1 million in additional funding provided in the 2021 Budget Act?

3. Please describe the department's progress conducting the debt collectability study and implementing recent legislative changes regarding uncollectible debt. What are the outcomes of the state ceasing collection of certain arrears? What is the timeline for the UC San Diego collectability study to be completed, and what are the department's next steps?

4. Please explain the rationale for the delay in implementing the child support pass-through for formerly assisted families.

Issue 2: Cyber Security: Department of Child Support Services

Budget Change Proposal – Governor's Budget. The California Department of Child Support Services (DCSS) requests a budget augmentation of $1,059,000 ($360,000 General Fund) and 6.0 positions, for fiscal year 2023-24 and ongoing to comply with recent requirements in IRS Publication 1075. This funding enables DCSS to respond to the increasing sophistication in cybersecurity attacks by creating various programs, as required. This request also allows DCSS to comply with the goals of the Governor's Cal-Secure Multi-Year Information Security Maturity Roadmap to achieve compliance with state information security policies, as well as address information security and privacy risks.

Background. The DCSS Information Security Office (ISO) provides statewide support for the child support program, including monitoring and security program management for a significant number of systems, multiple applications, thousands of caseworker identities, and millions of child support case participant identities. These systems and identities provide and maintain the integrity of state and federally mandated child support casework to millions of California constituents.

The IRS recently updated its Tax Information Security Guidelines for federal, state and local agencies (IRS Publication 1075). Effective June 10, 2022, departments who handle federal tax information (FTI) must implement the following changes:

- Creation of an Insider Threat Program: The IRS mandates the creation of an Insider Threat Program, a Senior Official to manage the Insider Threat Program, and the implementation of policies and procedures to manage a multi-disciplinary team to investigate insider threats.

- Creation of a Privacy Program: The IRS mandates the addition of a Chief Privacy Officer, the creation of a Privacy Program, and the responsibility to conduct initial and annual Privacy Impact Assessments.

- Creation of a Supply Chain Risk Management Program: The IRS mandates the creation of a Supply Chain Risk Management (SCRM) Program that will include a Supply Chain Risk Management team consisting of agency defined personnel to lead and support the following SCRM activities: provide expertise in acquisition processes, legal practices, vulnerabilities, threats, and attack vectors, as well as an understanding of the technical aspects and dependencies of systems.

Additionally, Governor Newsom recently adopted the Cal-Secure Multi-Year Information Security Maturity Roadmap, which includes several milestones for state entities to implement in phases. DCSS states that the department requires additional resources to comply with these guidelines and come into compliance with existing state information security policies.

Staffing and Resource Request. The DCSS Insider Threat Program team will include: 1.0 Insider Threat Program Senior Official (Information Technology Manager I) to oversee this program along with the Privacy Program and the Supply Chain Risk Program and 2.0 Insider Threat Security Engineers (Information Technology Specialist II).

The DCSS Privacy Program team will consist of 1.0 Chief Privacy Officer (Information Technology Manager I) to oversee this program along with the Insider Threat Program and the Supply Chain Risk Management Program (same IT manager position identified above in section 1); 1.0 Privacy Coordinator (Information Technology Specialist II); and 1.0 Data Protection Specialist (Information Technology Specialist II).

The DCSS Supply Chain Risk Management team will consist of 1.0 Chief Privacy Officer (Information Technology Manager I) to oversee this program along with the Insider Threat Program and Privacy Program (same IT manager position identified above in sections 1 and 2) and 1.0 Supply Chain Risk Management Specialist (Information Technology Specialist I).

According to DCSS, with the resources requested, DCSS will be able to adhere to both federal and state information security requirements. The IRS Publication 1075 mandated establishment of the following program areas: Insider Threat Program, Privacy Program, and Supply Chain Risk Management. Each of these individually carry a large workload that is beyond the current scope of the DCSS' security and privacy programs.

Subcommittee Staff Recommendation. Hold Open.

Questions. The Subcommittee requests DCSS respond to the following:

1. Please provide a brief overview of this proposal.

4700 Department of Community Services and Development

Issue 1: Department of Community Services and Development (CSD) Overview

The mission of the Department of Community Services and Development is to reduce poverty for Californians by partnering with private nonprofit and local government organizations dedicated to helping low-income families achieve and maintain economic security, meet their home energy needs, and reduce their utility costs through energy efficiency upgrades and access to clean renewable energy.

Department of Community Services and Development
Expenditures by Fund Source
* Dollars in thousands

Grand Total By Fund	Fiscal Year	
	2022-23	(Proposed Budget) 2023-24
General Fund	$52,692	$25,000
Federal Funds	$414,096	$288,072
Reimbursements	$5,600	$5,600
Greenhouse Gas Reduction Fund	$30,000	--
California Emergency Relief Fund	$1,200,000	--
Coronavirus Fiscal Recovery Fund of 2021	$201,596	--
Total All Funds	$1,903,984	$318,902

Reversion of Unspent California Arrearage Payment Program (CAPP) Funding. The Governor's 2023-24 Budget proposes to revert $400 million in unspent CAPP funds appropriated to CSD for the CAPP.

California Arrearage Payment Program (CAPP). CAPP provided financial assistance to energy utility customers to reduce past due energy bill balances accrued during the COVID-19 pandemic. Utility customers did not need to apply to receive assistance under the CAPP program. If a customer account was eligible, a credit was automatically applied to the customer's bill.

Under the 2022 California Arrearage Payment Program (CAPP), the Department of Community Services and Development (CSD) distributed $647 million in state funding to eliminate past due Pandemic Emergency energy utility debt of over 1.4 million residential customers. 2022 CAPP funding was disbursed in November 2022 to energy utilities. The program addressed 100 percent of the eligible arrearages reported by the energy utilities that applied for 2022 CAPP funds. Eligible arrearages under 2022 CAPP were defined as past due residential customer energy bill balances accrued during the COVID-19 Pandemic Bill Relief Period of March 4, 2020 through December 31, 2021.

CAPP Funding Distribution. Nine Investor-Owned Utilities (IOUs) and 24 Publicly-Owned Utilities (POUs) and Electric Cooperatives (ECs) applied for 2022 CAPP funding. The chart below displays the distribution of 2022 CAPP funding:

2022 CAPP Funding & Residential Customers Served					
	Local Assistance Budget Appropriation	**Funding Applications**	**Funding Awarded**	**Funding Remaining**	**Residential Customers Served**
IOUs	$957,600,000	$549,940,345.27	$549,940,345.27	$407,659,654.73	1,239,465
POUs & ECs	$239,400,000	$97,701,505.49	$97,701,505.49	$141,698,494.51	192,217
Total	$1,197,000,000	$647,641,850.76	$647,641,850.76	$549,358,149.24	1,431,682

Source: Department of Community Services and Development.

The budget appropriation for 2022 CAPP was based on a Spring 2022 survey of energy utility arrearages. At that point in time, energy utilities reported holding a little over $1.2 billion in residential customer energy arrearages that accrued between March 4, 2020 and December 31, 2021. Energy utilities also reported in the survey that over 2.3 million inactive and active residential customer accounts held arrearages from June 2021 (the end of the Pandemic Relief Period for the first iteration of CAPP) to December 2021. The $1.2 billion appropriated for 2022 CAPP was to address active residential customer arrearages.

From the point in time the Spring survey was conducted, to their Fall applications for 2022 CAPP funding, utilities reported a significant reduction in the total amount of eligible customer arrearages. CSD does not have specific data on why there was a decrease in the total arrearages for the Pandemic Bill Relief Period covered by 2022 CAPP. However, some of the factors that may have contributed to the lower arrearage levels include when utility disconnection moratoriums were lifted, customer payments between the point in time the Spring survey was conducted and Fall applications were submitted, availability of arrearage payment plans, changing economic conditions, or availability of other assistance (including LIHEAP). These factors also likely vary depending on the utility type – public vs. investor-owned – and from utility to utility, making it difficult to point to one particular cause for the reduction in eligible arrearages.

Reversion. According to CSD, the $400 million in 2022 CAPP funding identified for reversion in the Governor's Proposed Budget was a conservative point in time estimate prior to funds being disbursed to utilities and provided flexibility in the event there were adjustments. The Administration will provide an update at May Revise on the approximately $150 million remaining, taking into consideration updated revenue projections, among other things.

CSD Programs. Programs administered by the department include:

- Community Services Block Grant (CSBG). CSBG is an annual federal grant that provides or supports a variety of local services to alleviate the causes and conditions of poverty to help people achieve self-sufficiency. Examples of CSBG supported services and activities include local programs to address employment, education, asset building, housing and shelter, tax preparation, and nutrition and emergency services.

- Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP is an annual federal grant that provides financial assistance to low-income households to manage and meet their energy costs and immediate home heating and/or cooling needs.

- U.S. Department of Energy Weatherization Assistance Program (WAP). WAP is an annual federal grant that provides weatherization services to eligible low-income individuals to improve the energy efficiency of low-income households.

- Low-Income Weatherization Program (LIWP). LIWP is funded by state cap-and-trade auction proceeds to provide energy efficiency and renewable energy services such as solar photovoltaic systems. These services are provided to low-income single-family and multi-family dwellings within disadvantaged communities to help reduce greenhouse gas emissions and save energy.

- California Arrearage Payment Program (CAPP). The CAPP offered financial assistance for California energy utility customers to help reduce past due energy bill balances accrued during the COVID-19 pandemic. The CAPP was established in the 2021 Budget Act, which allocated $1 billion in federal ARPA funding to address energy debts. The 2022 CAPP was the successor program to the 2021 CAPP but used General Fund instead of federal ARPA funding.

- Low-Income Household Water Assistance Program (LIHWAP). The federal Low Income Household Water Assistance Program (LIHWAP) provides financial assistance to low-income Californians to help manage their residential water utility costs. The program was created as part of the Consolidated Appropriations Act of 2021, with additional funding received through the American Rescue Plan Act (ARPA).

Subcommittee Staff Recommendation. Hold open.

Questions. The Subcommittee requests CSD respond to the following:

1. Please provide an overview of the proposed 2022-23 CSD budget.

2. Please describe the implementation of the 2022 CAPP and the $400 million General Fund reversion of unspent CAPP funds.

3. Please provide an update on the department's implementation of the LIHWAP program.