

January 25, 2011

# Child Welfare Realignment

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LEGISLATIVE ANALYST'S OFFICE





## Overview

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- ☑ ***Child Welfare System Summary.*** The purpose of California's child welfare system is to prevent, identify, and respond to allegations of child abuse and neglect. Families in the child welfare system receive services so that (1) children can remain safely in their homes and/or (2) children who are temporarily removed from their homes can reunify with their families. For cases in which children are unable to reunify with their families, efforts are made to find them a permanent home through adoption or guardianship.
  
- ☑ ***Realignment Proposal.*** The Governor's budget proposal would realign the child welfare system to counties in 2011-12 and shift \$1.6 billion in tax revenues to counties in lieu of General Fund.
  
- ☑ ***Child Welfare Realignment Is Workable.*** A realignment of the child welfare system has merit, but the Legislature will have to address some significant fiscal and policy issues in developing a realignment plan.
  
- ☑ ***Organization.*** This handout provides information on:
  - The child welfare system and the federal, state, and county roles in child welfare.
  - The Governor's realignment proposal.
  - General principals of realignment program design.
  - Applying realignment principals to child welfare.



## Components of the Child Welfare System

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- Child Welfare Services (CWS)** investigates allegations of child abuse and neglect and provides case management and support services to children and their families. Statewide, hotline calls alleging child abuse and neglect are received for approximately one-half million children each year.
- Foster Care** provides out-of-home placement for children who have been removed from their homes due to abuse or neglect. A Foster Care placement can be with either an individual family or a group home setting. Family and group providers receive monthly grant payments for the 24-hour care and supervision of the child. Children in Foster Care may eventually be reunified with their parents or placed in adoption or guardianship when family reunification is not possible. The Department of Social Services (DSS) estimates the average monthly Foster Care caseload for 2011-12 to be approximately 48,000.
- Adoptions Program** has two components: (1) the Relinquishment (or Agency) Adoptions Program, which provides services to facilitate the adoption of children in foster care and (2) the Independent Adoptions Program, which provides adoption services to birth parents and adoptive parents when both agree on placement. Adoptions services are provided through state district offices, 28 county adoptions agencies, and a variety of private agencies. About 7,000 children are adopted from foster care annually.
- Adoptions Assistance Program (AAP)** provides monthly cash grants to parents who adopt children from Foster Care. Virtually all children being adopted out of the Foster Care program are eligible for and receive AAP benefits. The DSS estimates the average monthly caseload for 2011-12 to be approximately 88,000.



## Funding and Existing Sharing Ratios for Children's Programs

### *General Fund Expenditures (In Millions)*

	2011-12 Proposed	Non-Federal State/County Sharing Ratio
Child Welfare Services (CWS) <sup>a</sup>	\$551	70/30
Foster Care (FC) <sup>a</sup>	310	40/60
FC administration <sup>a</sup>	25	70/30
Adoptions Assistance Program	384	75/25
CWS, FC for two waiver counties	334	—
<b>Total</b>	<b>\$1,604</b>	

<sup>a</sup> Includes some expenditures for 56 non-waiver counties.

- The sharing ratios shown above were established as part of the 1991 realignment. The relatively high share for Foster Care was designed to be an incentive for counties to control placement costs.
- The \$1.6 billion provided for these programs includes about \$72 million for the boarding and care of so-called "AB 3632" seriously emotionally disturbed children. We recommend that the responsibility and funding for these children be realigned to school districts.



## Federal, State, and County Roles in Child Welfare

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The structure of child welfare systems varies by state. California's child welfare system is state-supervised and county-administered. Child welfare policy is generally made by the state and federal government and implemented by the counties. All three levels of government contribute to funding. Below, we elaborate on the federal, state, and county roles in child welfare.

### Federal Role

- Sets federal child welfare policy.
- Monitors state compliance with federal requirements through performance reviews and assesses penalties when states do not meet performance standards.
- Provides federal funds.

### State Role

- Sets statewide child welfare policy, such as standards for abuse and neglect and Foster Care rates.
- Monitors county compliance with state and federal requirements through performance reviews. Provides technical assistance and oversight to counties.
- Provides direct services such as adoptions and the licensing of Foster Care homes.
- Acts as single state agency for child welfare. Reports state performance outcomes to the federal government and negotiates Performance Improvement Plans.
- Provides state funds and passes on federal funds to counties.



## Federal, State, and County Roles in Child Welfare

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### County Role

- Investigates allegations of abuse and neglect and determines, based on state and federal regulations, when to remove a child from the home and into Foster Care.
- Provides case management to children and families who seek to reunify.
- Develops and delivers child welfare programs and services.
- Provides county funding and may overmatch state funds.



## Governor's Realignment Proposal

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- Shifts Funding Responsibility to Counties.*** The Governor's proposal would realign a child welfare system of shared state/county costs to one that is fully county-funded. It would also shift \$1.6 billion in tax revenues to counties in lieu of General Fund support.
  
- Increase in County Flexibility.*** In his budget proposal, the Governor calls for counties to be given "as much flexibility as possible" to operate their child welfare programs. To date, the administration has not provided details on what new programmatic flexibility would be provided to counties.
  
- Component of Larger Proposal.*** The child welfare realignment is part of a larger realignment proposal that would raise a total of \$5.9 billion in taxes and shift that amount to counties to implement increased program obligations in social services, health, and criminal justice.
  
- Certain Exceptions.*** The Child Welfare Services Case Management System (CWS/CMS) computer system and the licensing of Foster Care placements are not included in the realignment plan.



## Is Child Welfare a Good Candidate For Realignment?

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**Questions to Consider.** The Legislature must consider a number of factors when determining whether or not to realign a program to the counties.

- Programs where statewide uniformity is vital—usually are more effectively controlled and funded by the state.
- Programs where innovation and responsiveness to community interests are paramount—usually are more effectively controlled by local governments.
- Coordination of closely linked programs is facilitated when all programs are controlled and funded by one level of government, usually local government.
- If state and local governments share a program's costs, the state's share should reflect its level of program control.



**Proposal Has Merit.** Some aspects of the child welfare system are suited to realignment.

- Counties already perform many key functions in child welfare, such as determining when to remove a child from home due to abuse or neglect.
- Counties provide direct services connected to child welfare, such as mental health and substance abuse services.
- A system for measuring child welfare performance and reporting outcomes is already in place.



## Is Child Welfare a Good Candidate For Realignment

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***Proposal Raises Concerns.*** Other aspects of the child welfare system are not well-suited to realignment.

- The state has an interest in the wellbeing of children throughout California and has an important role in setting child welfare policy and providing oversight.
- Foster Care is a federal entitlement program and even with more flexibility, counties cannot entirely control caseload and costs.
- The federal role in performance review and penalty assessment may not work well with 58 separate counties.



## General Principles of Realignment Program Design

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- Link Program Funding Responsibility and Program Policy Control**
  - Realignment works best when the same level of government has program policy authority and fiscal responsibility.
  - Let the level of government that pays a program's bills set its rules.
  
- Build in Accountability**
  - Promote accountability by quantifying results regarding governmental performance and broadly disseminating information to the public.
  - Minimize reliance on detailed reports to state agencies.
  
- Address Cost Impacts of Changes in Program Responsibility**
  - Provide sufficient revenues to maintain an appropriate level of program services over the long term.
  - Roughly match the rate of growth for the portfolio of realigned programs with the rate of growth for the portfolio of realignment revenues.
  - Avoid creating state-reimbursable mandates.
  
- Allow Realignment Funds to Be Used Flexibly**
  - Limit earmarking of realignment revenues or segregating revenues into multiple pots.
  - Allow funds to be used to meet diverse and changing local objectives.
  - Promote accountability through performance measures, not fiscal controls.



## General Principals of Realignment Program Design

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### **Develop a Simple Revenue Allocation Methodology**

- Design a revenue allocation methodology that works over the long term.
- Minimize long-term reliance on formulas that reflect prior-year revenue allocations or program costs.
- Distribute revenues based on each local government's population or another broad based indicator of overarching need.



### **Rely on Financial Incentives to Promote Intergovernmental Coordination**

- Create fiscal incentives that encourage the efficient achievement of programmatic goals by multiple levels of government.
- Identify and address counter-productive fiscal incentives between state and local government.



## Child Welfare Realignment Program Design Issues

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- ☑ ***Proposal Has Merit.*** A realignment of the child welfare system is workable, but the Legislature will have to address some significant fiscal and policy issues in developing a realignment plan.
  
- ☑ ***Certain Issues Must Be Addressed.*** We have identified at least three areas that the Legislature will need to consider:
  - State control and county flexibility.
  - Federal oversight.
  - Funding.



## State Control and County Flexibility

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- Degree of Flexibility.*** Since counties would have increased financial responsibility for child welfare programs under realignment, they should have as much programmatic responsibility as possible. The Legislature will have to determine how much control of the child welfare system will remain at the state level and how much can be given to the counties.
- Options for the Legislature.*** In limited cases, there may be an overriding policy need for statewide standards. Even in these cases, however, we recommend that the Legislature draft them to maximize county flexibility. In weighing its options for providing counties with more flexibility, the Legislature should consider:

  - ***Establishing Minimum Standards.*** The Legislature could create minimum child welfare standards. This would establish statewide standards for the protection of children while allowing counties to have more control.
  - ***Setting Ranges for Rates.*** The Legislature could establish ranges for foster care placement rates and other regulations. This would provide some flexibility to the counties while maintaining a degree of standardization at the state level.
- More Limited Role for the Legislature in Child Welfare.*** The Legislature should avoid enacting new policies that create cost burdens not contemplated under the realignment.



## Federal Oversight

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- ☑ **Single State Agency.** The federal government is unlikely to interact with each of the 58 counties separately. The state most likely would continue to serve as the single agency contact for the federal government under a realigned child welfare system. If not, the state and counties would need to develop an alternative structure for dealing with the federal government.
  
- ☑ **Governance Options.** In weighing its options for structuring the state's future relationship with the federal government, the Legislature should consider:
  - **Establishing a Method for Sharing Risk.** The Legislature should determine how the state and counties will share costs resulting from changes in federal law and performance review penalties. This could also apply to costs incurred from lawsuits.
  - **Creating a Consortium of Counties.** The Legislature could allow counties to group themselves into several regional consortia. The consortia would be recognized in statute and have a say in negotiations that affect county costs and programs, such as federal Performance Improvement Plans.



## Funding

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- County Concerns.** Counties will likely seek a higher level of funding for child welfare in a realignment to cover the cost of providing services.
  - Historically, the state has provided less funding than legislatively mandated studies would suggest is needed for minimal social worker caseload standards.
  - Funding for CWS has been reduced by \$80 million (10 percent) from 2008-09 levels. The current Governor's budget proposal does not restore that funding.
  - Some counties have contributed their county funds (with no state match) to address these and other funding issues in child welfare.
  
- Legislature Sets Initial Funding Level.** While the Governor's budget has proposed shifting \$1.6 billion in tax revenues to counties for child welfare programs, the Legislature could choose to provide counties with a different level of funding.
  
- Reducing County Cost Burdens.** The Legislature could reduce county costs without increasing state funding by reducing certain child welfare rates, enabling the \$1.6 billion to go further. For example, the Legislature could reduce AAP rates and allow counties to keep the savings generated from the reduction.
  
- Allocation Issues.** Although the initial funding allocation among counties could be based on current costs, it would be preferable if over time the funding allocation transitioned to a broader measure, such as the population of children.