



May 17, 2007

To: The Honorable Elaine Alquist  
Chair, Senate Budget Subcommittee No. 3

Honorable Members  
Senate Budget Subcommittee No. 3

From: Frank J. Mecca, Executive Director

Re: **Child Welfare Services Budget Methodology –  
ADOPT SB 2030 STANDARDS**

The County Welfare Directors Association of California (CWDA) urges you to adopt trailer bill language to update the child welfare services program budget methodology. Specifically, we request the adoption of language that would phase in the optimal SB 2030 Child Welfare Workload Study standards over a five-year period, per AB 190 (Bass).

The SB 2030 standards are consistent with standards adopted in numerous other states and advocated by the Child Welfare League of America (CWLA) and the Council of Accreditation (COA). California's current budget methodology, which uses caseload standards far higher than these nationally accepted standards, has not been updated since 1984.

Our request comes after reviewing the Administration's CWS budget methodology report, mandated by last year's trailer bill (AB 1808). The report was released this past Friday, more than three months after the due date. Unfortunately, the report is unresponsive to the Legislature's request to propose a new budget methodology and is inconsistent with last year's discussions regarding the need for a new way of budgeting the program.

#### **Concerns Regarding State Report**

We have a number of concerns about the Administration's report. First, the report does not offer an alternative to the current methodology, and its recommendations will not halt the chronic underfunding of child welfare services. Instead, the report proposes to delay the development of a new methodology yet again, while recommending that counties be given a greater share of program costs. The report confuses county allocation policies (which are not at issue) with the issue at hand: the inadequacy of our outdated state-level budgeting methodology. Additionally, we are perplexed about the report's harsh criticism of the policy of holding counties harmless for caseload reductions at the same time it praises the implementation of the Title IV-E waiver demonstration project, which is premised on the exact same concept.

Finally, the report points to recent funding increases and improvements to child welfare outcomes as *de facto* evidence that the current methodology is working – without making any effort to determine whether these improvements are sufficient to declare the job done. At the same time, the report exaggerates recent funding increases for the program by including funding for premise items that are not related to core child welfare activities.

We detail each of these issues in greater detail below.

### **Report Does Not Offer Alternative Methodology**

Last year during budget negotiations, which focused on whether to adopt the SB 2030 standards, the Administration agreed to work with CWDA and other stakeholders to review SB 2030 and develop a new methodology to propose to the Legislature during this year's budget hearings. CWDA representatives attended several meetings of the stakeholder group this past year, spent time reviewing the current methodology and numerous alternatives, and offered our opinion as to the proper method for budgeting this important program.

The report issued Friday evening does not offer a new methodology. Instead, it recommends that CDSS work with CWDA to develop a new funding methodology – something our representatives who participated in the stakeholder group thought they were doing this past year. The report further indicates the Administration's position that it is premature to make "drastic changes" to the methodology until after the Title IV-E waiver demonstration project, which two counties are participating in, and the AB 636 Outcomes and Accountability System, which impacts all counties, have gotten further along.

We disagree with the assertion that no changes should be made until after the other two projects have matured. The child welfare services system is in a state of constant change, with new projects and programs being implemented every year. If we applied the Administration's logic going forward, we would never update the budget methodology to reflect the current reality.

In this case, the waiver project impacts only two counties and is a multi-year project. Delaying any changes to the underlying budget structure until after the state sees the result of this project would likely push any meaningful change out to the next decade – an unacceptably long time frame. The Title IV-E waiver project should not be used as an excuse to freeze other potential advancements in child welfare. On the other hand, the AB 636 outcomes system has been in place for several years and counties are familiar with how this system operates. While there are additional measures being developed related to child well-being, there is no reason to delay discussions on the budget methodology until these changes are complete.

### **County Share Proposal Disingenuous**

We also are concerned that the only specific funding-related proposal in the report would actually absolve the state of at least part of its responsibility to adequately fund the program. By the state's own estimates, counties have spent \$409.4 million of our own funds between 2001-02 and 2005-06 on child welfare services *above and beyond our regularly required matching funds*, including \$155.5 million in the last year alone. Rather than recognizing that counties have backfilled the state's inadequate funding levels, resulting in an effective shift in the underlying sharing ratio for the program, the report proposes to *further* shift the burden of funding child welfare services to counties by giving counties a share of the augmentations that currently do not have a share of cost. The Administration estimates this would cost counties an additional \$50 million annually.

We fail to see how giving counties a bigger share of existing program costs addresses the issue at hand: The outdated budget methodology contributes to a system in which child welfare worker caseloads are too high, children and families are not receiving the services they need, and California – though improving – still is not meeting all of the prescribed federal outcome measures.

### **Hold Harmless Criticism Unfounded**

The report goes on to discuss at some length the current policy of holding counties harmless for reductions in foster care. The Administration indicates that this policy has

created “inequities” across counties, and indicates that the policy should be at least revisited, if not eliminated altogether.

We find this criticism unfounded and somewhat ironic. Elsewhere, the report praises the Title IV-E waiver demonstration project that two counties, Los Angeles and Alameda, are participating in. While there are other differences between the waiver approach and the budgeting system for the other 56 counties, both have a hold harmless policy. In fact, the hold harmless policy for the two waiver counties is part of the project’s core structure. As those counties reduce the number of children they have in foster care, they will be able to redirect the funds they used to spend on foster care placements toward other needed services. The concept is the same with the current hold harmless policy.

In addition, the recent UC Davis study conducted on behalf of CDSS found that reinvestment strategies (like California’s hold harmless approach) make sense. As UC Davis noted, “There is already evidence in some states that allowing agencies to reinvest savings achieved through reduced reliance on foster care results in improved outcomes.”

We are not opposed to the concept of modifying the hold harmless policy as we phase in the SB 2030 standards. That said, the point of last year’s trailer bill language was to establish a comprehensive, rational methodology – not piecemeal, disconnected changes that, absent a new methodology, will make the situation worse, not better.

#### **“Inequity Problem” Due to Underfunding, Not Hold Harmless**

The report indicts the hold harmless policy as the key source of funding inequities across counties. In truth, it is the chronic underfunding of the entire child welfare services system that creates inequities across counties. Over the years, as counties have had different abilities to contribute their own funds toward the CWS program, the level of funding provided per child has changed, and now varies considerably across counties.

The way to solve this inequity, however, is not to redistribute the already limited funding that counties have, taking some away from the counties that have managed to hold onto more funds due to caseload reductions. Rather, the creation and institution of an updated methodology that reflects the best thinking of national experts and is consistent with methods undertaken in other states is the key.

#### **How Much Improvement is Enough?**

We agree with the Administration’s viewpoint that outcomes for families and children are important. Counties have been at the forefront of ensuring better data collection and helping the state set performance measures as a result of the AB 636 Outcomes and Accountability System and the federal Child and Family Services Reviews.

While the state asserts that “the fact that outcome measurements are improving is further evidence of the fact that resources are available to exceed the minimum standards,” the report offers no measure of how much improvement has actually occurred, what degree of improvement is “enough” to consider the job done, or how California measures up to the national performance standards. Rather, the fact that some improvement has occurred appears to be evidence enough for the Administration that counties are fully funded.

The fact that counties have managed to hold steady or improve their outcomes since 2000 is not an indication that the system is fully funded and operating as the Legislature, counties, courts and the public desire. Dealing with the problems inherent in the current budget methodology is critical to maintaining and continuing this improvement.

According to the report, the Administration's position is that the minimum SB 2030 standards are already funded, thus implying that the standards have merit as a benchmark of funding adequacy (though the report stops short of setting any benchmark, as noted above). We disagree with the assertion that the minimum standards are currently funded. Current staffing levels are overstated in the report, as an estimated 15 percent of county staff do not carry caseloads; the SB 2030 study also recommends that the ratio of supervisors to staff be reduced from the current 7:1 to 5:1; and the state's failure to fund counties for the actual cost of delivering services since 2001-02 all place the state further away from the minimum standards. Additionally, the report's calculation of current statewide funding levels includes tens of millions of dollars in funding for premise items that – although worthwhile – are not core child welfare services activities. Some examples of items that are inappropriately included:

- Chafee Post Secondary Education and Training vouchers for former foster youth.
- Board and care costs for children in emergency shelters and transitional housing.
- Investigations of certain teen parents receiving public assistance, a requirement of the state's CalWORKs law.

Finally, although we disagree with the statement that California is at the minimum standards, we do wish to note the inconsistency of simultaneously dismissing the SB 2030 standards as a benchmark and asserting that the minimum standards have already been met.

### **SB 2030 Is Viable and Should Be Adopted Without Delay**

As part of its work to prepare the budget methodology report, the state contracted with UC Davis in late 2006 to review the SB 2030 study and other states' approaches to budgeting. While the UC-Davis report indicates that cross-state comparisons are difficult, it leaves no doubt that SB 2030 is a viable budgeting methodology and that caseloads do matter when it comes to providing quality child welfare services.

Specifically, the UC-Davis study refers to the SB 2030 report as "excellent" and indicates that "if California could move toward the 2030 caseload standards or the CWLA caseload standards while keeping its eye on demographic trends and child outcomes ... California could lead the nation in both methods and results."

We could not agree more. The SB 2030 standards are not outdated and are consistent with national standards set by CWLA, COA, and adopted by numerous states (some in response to court order following lawsuits filed by children's' advocates). There is no need to wait another year (or an unspecified number of years, as the Administration suggests) to adopt these standards. We urge you to adopt them now, as a part of the 2007-08 trailer bill package.

cc: Nicole Vazquez, Consultant, Assembly Budget Committee  
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