



# CWDA

April 17, 2008

To: Honorable Patty Berg,  
Chair, Assembly Budget Subcommittee No. 1  
  
Honorable Members, Assembly Budget Subcommittee No. 1

From: Frank J. Mecca, Executive Director

**RE: LAO Analysis on Foster Care: Foster Care Rate Cut,  
Proposed Cap to the Specialized Care Rate—OPPOSE**

The County Welfare Directors Association of California (CWDA) previously wrote in opposition of the proposed cuts to foster care rates by the Administration, which would cut rates by 10 percent to foster care providers including relative caregivers and group homes and by 5 percent to foster family agencies. The Administration's proposal would cut \$190.3 million (\$81.5 million General Funds) in the budget year. The state General Fund cut would also result in the loss of \$50.3 million in federal funds.

In addition, CWDA opposes the alternative proposed by the Legislative Analyst's Office (LAO) to (1) rescind a 5 percent rate increase which was recently approved by the Legislature and Administration and to reduce foster family agency rates by 5 percent, and (2) to cap the amount of the specialized care increment. The impact of any cut to foster care providers would seriously de-stabilize foster care placements, potentially harm foster children and ultimately result in higher costs in the foster care system.

### **Caregivers Provide Critical Support to Foster Children**

Foster caregivers are a critical component of the foster care system. These caregivers provide care and supervision to foster children when they cannot be safely returned home. Counties rely on foster care providers to nurture and care for children who have experienced abuse and neglect, and who often have special medical, emotional and psychological needs. Many foster families and relative caregivers become a child's permanent support system through adoption or legal guardianship.

Foster care reimbursement rates are intended to cover the costs associated with caring and supervising foster children. Licensed foster families and approved relative caregivers receive a basic rate to cover the cost of board and care, which includes utilities, food, and transportation, as well as a modest clothing allowance. Foster families may also receive a special supplement, known as a specialized care increment, to care for children with exceptional health and/or behavioral issues. Families who decide to adopt or assume legal guardianship may receive ongoing payment based on the foster care rate.

### **Any Cuts Exacerbate Already Inadequate Reimbursement Rates**

Current foster care rates are already woefully inadequate. California's cost of living, including costs for food, clothing, shelter and transportation, have risen dramatically over the past seven years. In the meantime, the foster care reimbursement rate, which covers basic board and care costs, has moved in the opposite direction. We estimate the lost purchasing power to foster parents to be 20 percent between 2000-01 and 2007-08. In fact, Californians pay more to kennel a dog than the state pays to care for abused and neglected children—on average, kennels charge \$620 per month while the basic rate to care for a child age 9-11 in a foster home is just \$519 per month.

The Legislature recognized the need to support foster caregivers and implemented a 5 percent rate increase effective January 2008 to foster family homes, group homes, KinGAP and AAP families. This rate increase was long overdue—foster caregivers had not seen any increase in over six years. Both the Administration and LAO proposals would reduce these rates and exacerbate already inadequate reimbursement levels.

### **Proposed Cap to Specialized Care Rates Will Ultimately Result in Higher Costs**

The LAO proposal would cap the specialized care rate to \$1,000, which according to the LAO would impact seven counties representing 20 percent of the caseload. We question whether this proposal would generate any savings. Rather, we believe such a cap could potentially disrupt current placements with foster family homes and relative caregivers and would ultimately result in higher placement costs. In the counties that apply an SCI rate above \$1,000, the counties indicate this rate is applied to a fraction of the children, is necessary to maintain home-based placements, and usually is provided for children with high medical needs, such as children with HIV. A rate cut to these foster care providers could jeopardize existing placements and may result in other children being placed into more costly institutional care settings.

### **Cuts Would Drive Foster Families Away – Hurting Children**

Without adequate reimbursement, foster parents, foster family agencies and group homes are forced to absorb the extra costs of caring for foster children who often have multiple special needs. Many foster parents choose to leave the system altogether. Counties already have seen a 30 percent average drop in the number of foster family home placements, and in some counties the decline has been as high as 50 percent. With fewer foster families, more children will be placed into institutional type settings at a much higher cost to taxpayers. Rate cuts to foster family agencies and group homes will reduce capacity of these agencies to also serve children with emotional, behavioral and other special needs.

For those foster parents who remain, the lost funds will strain family budgets. There will be less money for the basic things that children need, and for which foster children have disproportionately higher needs, including food, clothing, school supplies, and transportation for court appointments and family visits. In addition to these basic necessities, these cuts will potentially reduce or eliminate foster parents' ability to pay for their foster children to participate in enrichment activities such as sports, after school programs, tutoring and arts and crafts, which are not otherwise covered by the basic rate.

The foster care rate cut will ultimately hurt children and lead to poor outcomes. It will inhibit county efforts to recruit and retain foster families who are willing to provide a loving home to abused and neglected children. In turn, this undermines efforts to place foster children into permanent homes with adoptive families and kin caregivers. This will lead to more placement moves for children and fewer exits to adoption and legal guardianship. The loss of foster family homes will mean that children may experience multiple placement moves or be placed outside of their community, potentially disrupting their connections to school and family. The cut will also undermine recent reforms to the group home system intended to help transition children from group care into more family-like homes.

Any reduction in outcomes for children and families served by the foster care system comes with potential federal fiscal penalties. California, like most other states, did not meet all required outcomes under the federal Child and Family System Review in 2002, but has been able to achieve significant improvement since that time. As a result, California is facing an \$8.9 million federal fiscal penalty, which it is currently appealing. The state is now undergoing its second federal review and will again be expected to make improvements or face fiscal penalties of approximately \$80 million.

**Recommended Action—Exempt Foster Caregivers From Rate Cuts**

Foster caregivers open their hearts and homes to care for abused and neglected children. The state has a higher obligation to foster children because these are “our” children and the state shares responsibility for their care. Given the serious and detrimental impacts that any cut would have to abused and neglected children, CWDA opposes any cut to child welfare services including foster care rates and believes this vital safety net program must remain intact. We respectfully urge the Legislature to exempt all foster caregivers from any budget-balancing reductions.

Thank you for your consideration of our concerns.

cc: Nicole Vasquez, Consultant, Assembly Budget Committee  
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Julianne Huerta, Consultant, Assembly Republican Fiscal Office  
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