



May 16, 2026

To: The Honorable Caroline Menjivar
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

The Honorable Dr. Corey Jackson
Chair, Assembly Budget Subcommittee No. 2

Honorable Members
Assembly Budget Subcommittee No. 2

From: Carlos Marquez III, Executive Director, CWDA

RE: MAY REVISE CHILD WELFARE/FOSTER CARE ISSUES

The County Welfare Directors Association of California (CWDA) respectfully submits this budget memorandum in response to the May Revision to request one-time General Fund (GF) investment in Emergency Response (ER) Enhancement services and a two-year extension of Flexible Family Supports funding authority, which remain excluded from the Administration's proposed State Budget. CWDA also requests additional and ongoing GF investment to maintain the Title IV-E Stipend Program to scale, a critical pipeline to maintain necessary child welfare staffing. Additionally, CWDA requests that the Legislature provide start-up funding to establish the mandated and necessary infrastructures needed for the Strength Building and Family Determination (SB&FD) and Immediate Needs (IN) Programs in FY 2026-27 to ensure timely implementation of the Tiered Rate Structure on July 1, 2027. Lastly, CWDA urges support for continued one-time GF investment to stabilize Foster Family Agencies (FFAs) due to the insurance crisis. Additionally, this memorandum provides comments to the Administration's proposed Trailer Bill Language (TBL) for the Adoption Assistance Program (AAP) and our joint TBL with the Youth Law Center to support transition services for children and families returning from out-of-state AAP placements.

While we greatly appreciate that the Administration's May Revision has largely spared the child welfare and foster care service programs from budgetary reductions and thus, maintains its commitment to serving abused and neglected children and the families who support them, CWDA remains concerned that the May Revision omits needed, critical investments that threatens to reverse years of positive gains toward fulfilling the state's prevention goals. Over the past decade, California's child welfare system has experienced significant reform and a

steady decline in overall foster care caseloads—with entries in foster care declining from 26,769 in Federal Fiscal Year (FFY) 2019 to 16,679 in FFY 2025.¹ Foster care entries and investigation rates have decreased, reflecting broader system reforms and prevention efforts that have anchored practice toward early intervention and family preservation. Targeted state investments, including one-time ER Enhancement funding and Flexible Family Supports, have supported this progress by stabilizing frontline investigative capacity and addressing concrete barriers to placement stability.

Despite these reforms, counties continue to face workforce instability and external pressures - including the reduction of concrete supports due to H.R. 1 - that strain Emergency Response operations, as the nature of allegations has shifted toward more complex and high-acuity cases, including sexual abuse, physical abuse, and severe neglect cases, requiring immediate response and advanced expertise. Any reductions in child welfare staffing and access to concrete supports will threaten progress in prevention, stabilization, timely response, and permanency outcomes for children involved in the child welfare system.

Emergency Response (ER) Stabilization: One-Time Investment to Prevent a Fiscal Cliff

ER programs serve as the frontline of California's child protection system, responding 24 hours a day to reports of child abuse, neglect, and exploitation. Social workers provide in-person response immediately (under 24 hours, often within two hours) to referrals indicating the child's health and safety may be in immediate danger, and within 10 days for all other situations. ER social workers conduct safety assessments, initiate investigations, engage families and kin, and connect families to community-based services to stabilize children safely at home whenever possible. Social workers engage families in safety planning to link families to needed services to prevent removal, and in situations where the health and safety of the child must be protected, ER social workers outreach to known kin and kin-like connections to begin the process of emergency placements with caregivers as children come into foster care, working diligently to maintain siblings together and preserving these crucial family connections.

Recognizing the critical role of ER services, the Budget Acts of 2021 and 2022 provided a total of \$100 million in one-time General Fund to counties to enhance ER staffing and operations. These one-time funds, which are set to expire on June 30, 2026, allowed counties to stabilize front-end child welfare operations during a period of sustained demand, as children and families were returning to normal activities from the pandemic. During the pandemic, referrals to county Child Protective Services (CPS) Hotlines plummeted, dropping from over 477,000 referrals pre-pandemic (Jan-Dec 2019) to just over 390,000 (Jan-Dec 2020) during the pandemic, then jumping to nearly 440,000 in 2022 as pandemic-era concrete supports expired (Jan-Dec data).² Investigations also rose in this time, from a low of over 281,000 investigations in 2020

¹ <https://ccwip.berkeley.edu/childwelfare/reports/Entries/MTSG/r/ab636/l>

² Source: CA Child Welfare Indicators Project (CCWIP), University of CA, Berkeley, CDSS, Research and Data Insights Branch, Allegation Rates. <https://ccwip.berkeley.edu/childwelfare/index/r>

to nearly 306,000 in 2022.

Counties utilized one-time ER Enhancement funding to stabilize and strengthen frontline investigative capacity during a period of sustained workforce strain and increasing case complexity. Funds have been used to hire and retain ER social workers and supervisors, reduce investigative backlogs, stabilize caseloads, expand supervisory oversight, and improve documentation and safety decision-making. Nearly all funds have been fully expended statewide, reflecting both need and urgency for these funds. This need is now more acute due to H.R. 1's historic cuts and other federal actions undermining health care, nutrition assistance, and other safety net supports. Research has shown that reduced concrete supports to children and families is associated with increased family stress and child welfare risk, and are likely to increase calls to CPS Hotlines.³

The expiration of ER Enhancement funding, coupled with implementation of H.R. 1's devastating policies, threatens to unwind the positive gains in child welfare programs. Additionally, while overall investigation volume has declined, counties report increases in high-acuity allegations, including sexual abuse, physical abuse, and severe neglect, requiring more time-intensive investigations and experienced staff. ER Enhancement funding functioned primarily as a capacity stabilizer, preventing the erosion of statutorily required response timeliness during a period of compounding workforce and operational strain. Without sustained investment, counties may experience delayed investigations, increased caseloads, reduced capacity to connect families to prevention services at first contact, which puts children at increased risk and increases the likelihood of foster care entry.

Recommendation

CWDA respectfully requests the Legislature maintain this critical investment as H.R. 1 is implemented by appropriating \$20 million one-time GF in FY 2026–27 (available through June 30, 2028) to counties to maintain and increase Emergency Response staffing capacity, and to adopt Budget Bill Language (BBL) to continue outcome reporting for continued State oversight of this funding (See Attachment A for BBL).

³ See Monahan, E. K., Grewal-Kok, Y., Cusick, G., & Anderson, C. (2023). [*Economic and concrete supports: An evidence-based service for child welfare prevention*](#). Chapin Hall at the University of Chicago.

Flexible Family Supports - A Two-Year Budget Neutral Extension

Flexible Family Supports funding, established through Budget Acts of 2022 and 2023, provided counties with flexible, time-limited resources to strengthen family-based placements and prevent placement disruption.⁴ The program was designed to address concrete barriers faced by kinship caregivers and foster families that are not otherwise covered by foster care rates or categorical funding streams. Counties have used Flexible Family Support funds to stabilize new kin placements and remove practical placement barriers, such as home safety and habitability costs (e.g., beds and furnishings, smoke alarms, repairs, and pool fences). Counties have also used these funds to provide respite care to reduce caregiver stress, to support youth enrichment and recreational activities (e.g., camps, sports, tutoring, college tours), and to maintain sibling and family connections through transportation and travel supports. Several counties report that these flexible supports are often the difference between sustaining a family-based placement and a placement disruption or higher level of care.

Flexible Family Funding has functioned as a targeted prevention and stabilization tool, supporting caregiver retention and strengthening kinship placements consistent with legislative intent. Unfortunately, there were initial delays in issuing guidance necessary for counties to deploy the funds with fidelity, and now this funding sunsets June 30, 2026. A two-year extension, to June 30, 2028, will enable many counties to utilize these funds as a bridge to the implementation of the Tiered Rate Structure (TRS), when direct funding to resource families to support the children in their care will be based on individualized assessments of children's strengths and needs.

Recommendation

CWDA respectfully requests a two-year budget neutral extension of Flexible Family Supports funding authority to allow counties to sustain placement stabilization gains and continue to build upon the kin-first strategy in partnership with the State.

Adoption Assistance Program Trailer Bill Language

Administration Proposal: The proposed Trailer Bill Language (TBL) by the Administration follows legislation enacted as part of the Budget Act of 2025, implemented through trailer bill [AB 118](#) (Chapter 7) and amended by trailer bill [SB 146](#) (Chapter 107), which generally restricts

⁴ The State Budget Act of 2022 ([AB 179](#), Chapter 249) provided \$50 million and the State Budget Act of 2023 ([SB 101](#), Chapter 12) provided another \$50 million to counties for Flexible Family Supports. The FY 23-24 appropriation was set to expire on June 30, 2025 but was extended last year, so that all funds are now set to expire on June 30, 2026.

the use of Adoption Assistance Program (AAP) payments for out-of-state placements. The law now requires that in order to be eligible for out-of-state placement supported by AAP funds, the placement must be licensed, in good standing, and eligible as a Title IV-E funded placement, must provide an integrated program of specialized, intensive and trauma-informed care, supervision, services and treatment, and include a clinical component to offer therapeutic services to treat a child's mental health needs. The law sets payment rates for eligible out-of-state placements into residential care settings and specifies that AAP payments may be approved for up to a 12-month cumulative period in an out-of-state facility only if one or more of the adoptive parents reside in that same state, with allowance for a 60-day transition when necessary, and authorizes wraparound services to families. Otherwise, the law prohibits any new placements into out-of-state facilities using AAP funds, effective July 1, 2025.

Since passage of AB 118 and SB 146, county child welfare agencies have been working diligently with adoptive families impacted by this law change as their previous adoption agreements expire and are seeking alternative services and supports for their adopted children. County child welfare agencies are required to confirm that the out-of-home placement and services are necessary to meet the child's needs, and to facilitate the AAP payment in response to the adoptive family's request.

This proposed TBL would enact changes to the use of AAP funding for adoptive children residing within California by limiting payments to Short-Term Residential Treatment Facilities (STRTPs) to no more than one, 12-month cumulative period, allowing for a 60-day transitions. The TBL would also authorize use of AAP funds for Wraparound services for up to 12 months, and for additional time if there is continued need to resolve an adoptive child's specific conditions and requires adoptive families to provide verification that providers meet California's Wraparound standards and provider certification requirements.

CWDA has engaged with representatives from the California Department of Social Services (CDSS) to address counties' concerns, in collaboration with the Youth Law Center (YLC). Changes to the TBL that we are jointly seeking with the YLC would maintain the intention of the TBL—to reduce lengths of stay in residential treatment facilities and encouraging greater utilization of home-based wraparound services—while improving access to wraparound services. To that end, CWDA and YLC have submitted joint recommended changes to the Administration's TBL that will reduce barriers to accessing wraparound services, allow for limited exceptions to stays in residential treatment, develop model training curriculum to better prepare adoptive families to respond to the trauma-based needs of their adopted children, states legislative intent to ensure transition supports are available to adoptive families. Our proposal would delay implementation to January 1, 2028 or when automation changes can be made to implement the changes in the TBL, whichever is later. (See Attachment B for this TBL)

CWDA/YLC Proposal: Additionally, CWDA continues to advocate alongside YLC for separate and related TBL and BBL to address urgent service gaps in transition services and support for adoptive children returning to California from out-of-state residential placements as a result of AB 118/SB 146. (Please see Attachment C). As noted in our memorandum on April 16, 2026, we are jointly requesting a modest investment of one-time funding to CDSS to complete specific activities in support of adoptive children and families with highly acute, complex care needs. Specifically, the proposal would require CDSS to provide these children and families with direct case management and linkage to direct services and to develop a root-cause analysis, track child outcomes and report to the Legislature. Our proposal would also require counties to refer families to disability-based advocacy legal services.

Many adoptive families turned to out-of-state residential facilities not out of preference, but out of desperation after being unable to access the services their children needed earlier and in less restrictive settings. Families often believed these placements were safe and appropriate because the use of AAP funding was permitted by the state. However, many of these facilities—particularly in Utah—have well-documented histories of abuse and harm to children. As a result, many youth are now returning to California having not received the support needed to address the issues that led to placement, and in some cases with additional trauma resulting from their experiences in these settings.

Youth are returning now, and many families are being left to navigate complex behavioral health and service needs without coordinated support during this transition. Because the state funded these placements through AAP, the state now has a responsibility to ensure that youth and families are adequately supported as they transition home, and to understand and address the system gaps that led to these placements so that any additional, needed service capacity can be available within California.

Recommendation

Adopt the CWDA/YLC recommended TBL and BBL to transition support to adoptive families returning from out-of-state placements. We also request the Legislature re-appropriate on a one-time basis a minimum of \$5 million using any unspent Complex Care Capacity Building and Child Specific funding. If those funds are inadequate, we request to appropriate new GF for the remainder to support this purpose.

Title IV-E Stipend Program Is a Critical Pipeline for Child Welfare Staffing

The May Revision's proposed one-time \$18.4 million GF augmentation for the Title IV-E Stipend Program protects students currently enrolled, but does not fully fund the program. CDSS has indicated the proposal creates a \$4.5 million gap, which the department suggests may be filled through additional in-kind matches from the public schools of social work. Based on CWDA's preliminary discussions with university partner agencies, it is highly unlikely that this gap can

be filled. The result will be a pause on new enrollment of MSW and BSW students for the 2026–2027 academic year, approximately 200 fewer full-time and 110 fewer part-time students entering the program this fall. These are prospective students who will soon receive notices rescinding their acceptance into the Title IV-E Program.

The Title IV-E Stipend Program serves as a primary workforce development pipeline for California’s public child welfare system by incentivizing and supporting the education and specialized training of Bachelor and Master of Social Work students to prepare them for careers in child welfare services. Administered through California’s public schools of social work, the Title IV-E Stipend Program augments students’ Masters of Social Work (MSW) and Bachelors of Social Work (BSW) education with child welfare-specific content and requires significant field-based experience working directly with children, youth and families, including in at least one year in a child welfare agency. MSW and BSW students receive direct financial assistance which is not required to be repaid if the students complete a work agreement in a child welfare agency for a period of time (typically two-years) post-graduation.

This change comes at a particularly consequential moment. Recent federal policy changes under H.R. 1 will cap federal student loans for MSW students at \$20,500 per year, below the \$25,000 in annual support provided by the Title IV-E Stipend Program, meaning students losing stipend access will face both reduced support and a federal loan ceiling insufficient to close the gap.

The program helps counties meet state-mandated, minimum staffing requirements. CDSS regulations require at least 50 percent of ER and Family Maintenance staff to possess an MSW degree and 100 percent of Adoptions to possess an MSW. This requirement can only be waived in limited and exceptional circumstances by CDSS. However, most counties strive to have MSW-degreed staff throughout their child welfare programs, including in family reunification and permanent placement programs, due to the highly complex work and need for highly trained staff to engage with children, youth and families and cross-system partners including education, behavioral health, regional centers, and other entities to achieve optimal outcomes. Research also indicates Title IV-E programs that provide specialized training in child welfare yields improved outcomes for foster children, including higher reunification rates within 12 months, and higher finalized adoption rates within 24 months.⁵

Beyond providing a pipeline of new staff, the Title IV-E Programs helps ensure the child welfare workforce reflects the diversity of the populations served by these programs. The required

⁵ The Impact of Title IV-E Training on Case Outcomes for Children Serviced by CPS Serviced by CPS, P. Leung and N. Willis (2012).

<https://digitalcommons.library.tmc.edu/cgi/viewcontent.cgi?article=1142&context=ifs>

fieldwork in a child welfare agency both acclimates and better prepares students for this complex work, which also improves recruitment and retention. Without the Title IV-E Program, county child welfare programs struggle to compete with the health care, education and behavioral health sectors which often offer less stressful working conditions and better work-life balance. Additionally, the part-time program is typically offered to current county staff as a retention tool to help them achieve an MSW, often leading to promotion and better pay, and is thus a critical retention tool as county child welfare agencies continue to struggle with staff turnover due to high workload. Even as overall referral volume has declined, the composition of substantiated cases has shifted toward higher-acuity allegations, including sexual abuse, physical abuse, and severe neglect, which require advanced clinical judgment and the specialized field preparation the Title IV-E Stipend Program is specifically designed to provide. This compositional shift, combined with persistent workforce shortages and broader economic stressors affecting vulnerable families, makes the pipeline question more, not less, urgent.

Reducing the Title IV-E Stipend Program, coupled with the elimination of the ER Enhancement Program, will have a significant and negative impact on ER operations, as many new Title IV-E graduates are often initially placed into the ER investigation program, which experiences frequent turnover of staff. Again, this undermines counties' efforts to stabilize families as early as possible when they come into contact with the child welfare system and threatens to reverse the positive trends of reducing foster care entries.

Recommendation

The proposed one-time \$18.4 million GF augmentation protects students already in the program but does not resolve the structural \$4.5 million shortfall, the likely enrollment pause for 2026–2027, or the loss of approximately 310 prospective students at the moment counties most need them. CWDA requests the Legislature augment the Title IV-E Stipend Program by \$4.5 million GF to close the shortfall and provide a total of \$22.9 million GF on an ongoing basis to sustain California's primary graduate-level child welfare workforce pipeline

Tiered Rate Structure Structural Investment Needs in FY 26-27

On July 1, 2027 and subject to Legislative appropriation, California is expected to launch a foster care rate setting system that will transform supports to foster children. The Tiered Rate Structure (TRS) will provide supports to foster children based upon their needs, while building their strengths, and will be driven by a validated assessment instrument rather than by their placement. The TRS envisions a “whole child” approach to services that will help advance a kin-first culture to support relative and kin-like caregivers, aligned with research demonstrating that foster children do best when placed with kin. Counties have begun to prepare for implementation of TRS by conducting in-depth review of their implementation of CANS and CFT with cross-system partners, including behavioral health agencies who also complete the CANS and participate in CFTs, and by engaging in fidelity review, trainings and data collection which are the necessary precursors to TRS implementation. CWDA has been an active partner

with CDSS and other stakeholders in the planning, design, and pre-implementation activities for TRS.

The Strength Building and Family Determination Program (SB&FD) Program is mandated by statute ([WIC 16565](#)) to be administered by a spending plan manager that is an entity or entities that contract with CDSS, and CDSS recently announced this contractor that was selected through a competitive procurement process. Based on several discussions with CDSS, we understand the department also intends to administer funding for the Immediate Needs (IN) Program through Third Party Administrator (TPA); CDSS recently concluded its competitive procurement process and is in process of contractor selection.

CWDA is concerned that the May Revision does not include funding for the start up of the administration of these payment administrators in FY 26-27. We understand through discussions with CDSS that partial funding has been secured for the SB&FD contractor, but that it falls short of projected costs, while there is no funding proposed for the IN TPA. This threatens state and county readiness for TRS implementation on July 1, 2027, as both TPAs would need to engage with CDSS, counties and other stakeholders in establishing payment and dispute resolution processes, approval timelines, and reporting mechanisms. These required activities must be established in advance of TRS implementation, not alongside it.

Recommendation

CWDA recommends the Legislature provide start-up funding to establish the mandated and necessary infrastructures for the SB&FD and IN Programs in FY 2026-27, and to engage with the Administration on the projected costs for this infrastructure. CWDA recommends that both SB&FD and IN TPA funding should begin no later than January 1, 2027, to allow for appropriate engagement with stakeholders and planning, to prevent delays in TRS implementation on July 1, 2027.

Foster Family Insurance Crisis Remains a Concern

CWDA is part of a broad coalition, led by the California Alliance of Child and Family Services, that is requesting one-time \$30 million GF in FY 2026-27 to continue current and critical efforts to stabilize the more than 300 Foster Family Agencies (FFAs) serving over 6,500 foster youth across California. FFAs continue to face significant financial strain due to the ongoing liability insurance crisis. Beginning in September 2024, one insurance carrier covering approximately 90 percent of FFAs notified providers that their policies will not be renewed. This left FFAs scrambling to find alternative insurance carriers, forcing providers to absorb significantly higher insurance premiums with lower coverage limits. Since 2024, according to the California Department of Social Services, more than two dozen Foster Family Agencies, nonprofits that recruit, train, and support foster parents, have closed across 13 counties due in part to escalating liability insurance pressures, including inability to secure replacement coverage and

significant increases in premium costs.⁶ These provider losses are occurring alongside continued STRTP closures and ongoing concerns regarding placement capacity for youth with higher-acuity and complex behavioral health needs. These closures put foster children currently placed in FFA homes at risk of placement disruption, unless the home can be quickly transitioned to another FFA or county oversight structure.

CWDA has engaged in multiple discussions with CDSS, the California Department of Insurance (DOI), and stakeholders to identify potential short-term and long-term solutions. In the meantime, CWDA notes that counties continue to bear responsibility for ensuring continuity of care, and that resource families remain supported in the event of an FFA closure. Many counties have stepped in to transition foster families to county oversight through a process known as "porting" of the resource family approval. The resulting increase in Resource Family Approval (RFA) workload is currently being absorbed by counties despite fixed state funding for the RFA caregiver approvals; however, additional provider closures would likely create workload and fiscal pressures that counties may no longer be able to absorb.

We are deeply grateful for last year's \$31.5 million allocation, which has helped mitigate additional closures to date. However, liability insurance costs remain high and unaffordable for most FFAs. CWDA supports continuation of short-term funding to FFAs to mitigate the higher insurance costs while the Administration and stakeholders continue working toward advancing long-term solutions to the insurance crisis and ensure placement stability for children and youth these organizations serve.

Recommendation

Provide one-time \$30 million funding to CDSS to support FFAs with the increased cost of insurance coverage to preserve FFAs until a long-term solution can be found.

Concluding Remarks

CWDA urges for continued investment to prevent workforce shortages in California's child welfare system, address critical needs for adoptive families, maintain stability in FFA services, and bridge Flexible Family Supports providing concrete supports for kin and other family-based caregivers.

⁶ Cayla Mihalovich, "California's foster care system is buckling under the weight of this unexpected cost," *CalMatters*, March 11, 2026.

Cc: Chris Woods, Office of the Senate President Pro Tempore
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