

**CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
CHILD WELFARE SERVICES BUDGET METHODOLOGY REPORT**

**Table of Contents**

	<b>Page #</b>
<b>Executive Summary</b>	<b>ii</b>
<b>Introduction</b>	<b>1</b>
<b>Caseload and Budget History in the Child Welfare Services Program</b>	<b>2</b>
<b>Major Program Changes in the CWS Program Since FY 2001-02</b>	<b>6</b>
<b>Discussion of SB 2030 Standards</b>	<b>8</b>
<b>Stakeholder Input</b>	<b>12</b>
<b>University of California at Davis (UCD) Nationwide Scan UCD Research</b>	<b>14</b>
<b>Findings – What We Have Learned</b>	<b>16</b>
<b>Challenges to Improving the CWS Budget</b>	<b>19</b>
<b>Conclusion</b>	<b>22</b>
<b>Departmental Priorities and Recommendations</b>	<b>22</b>
<b>Attachments</b>	<b>24</b>
<b>Appendix</b>	
<b>UCD-CPPR final Report to Budget Stakeholders Group (CD-ROM)</b>	

# CALIFORNIA DEPARTMENT OF SOCIAL SERVICES CHILD WELFARE SERVICES BUDGET METHODOLOGY REPORT

## Executive Summary

Assembly Bill (AB) 1808 (Chapter 75, Statutes of 2006), required the California Department of Social Services (CDSS) to develop and submit to the Legislature a proposed methodology for budgeting funds for the Child Welfare Services (CWS) Program to meet program requirements and outcomes. The new methodology was to take into account available research, the Senate Bill (SB) 2030 workload standards study required by Section 10609.5 of the Welfare and Institutions Code, industry standards developed by child welfare organizations and accrediting bodies, budgeting methodologies used in other states and budgeting methodologies in support of best practices and improved outcomes. The statute also required CDSS to work with the County Welfare Directors Association, legislative staff, and organizations that represent social workers in developing the revised methodology.

CDSS contracted with the Center for Public Policy Research (CPPR) of the University of California, Davis (UCD) to conduct research including an analysis of demographics in California's child welfare system. This report (attached as an appendix) was completed and submitted to CDSS on November 10, 2006.

As required in the trailer bill language, CDSS sought advice from key stakeholders. There were also four stakeholder meetings conducted by CDSS that included representatives of the County Welfare Departments, representatives of the State Legislature, the Office of the Legislative Analyst and unions representing social workers. The discussions involved county priorities regarding child welfare, budgetary and demographic trends, and the UCD study.

For this report, CDSS also analyzed State budgetary and caseload data, budget policies, county CWS caseloads, and county CWS system improvement plans.

## Findings-What We Learned

The major findings and recommendations in the UCD report are as follows.

- *Funding for the CWS program has increased significantly over the past five years.* The General Fund (GF) investment has increased by 28 percent while the total program funding has increased by 25 percent between Fiscal Year (FY) 2001-02 and FY 2006-07. During the same period, funding provided for county operations of CWS increased a total of 21 percent (33 percent GF). Because caseload declined by 12 percent during the same time, the average funding per case increased by 37 percent. The single largest increase in funding for this program occurred in FY 2006-07 with a \$98.6 million augmentation. However, there have been a number of increases in the budget including funding for social worker training, funding for innovative projects and several augmentations to improve the lives of foster children.

Finally, the counties have provided funding beyond the State required match over the past five years with the highest amount contributed in FY 2005-06 totaling in excess of \$150 million. This represents another nine percent of funding in the program that is not included in the state budget figures.

- *CWS performance is improving significantly. Both State and federal outcome indicators have improved.* The State is now meeting or exceeding targeted goals in eleven of fourteen federal outcome areas. The State's primary outcome measures, developed in response to AB 636, have improved in 26 of 28 State outcome indicators. Improvement is shown across the board and momentum continues in this program.
- *The State budget policies of holding counties harmless for caseload declines and basing budgets on FY 2001-02 costs.* The hold harmless policy was implemented to provide stable funding for counties and to protect against reporting errors due to implementation of a new automated case management system. However, the policy has not been reviewed for five years and counties with decreasing caseloads have a richer State funding per case than those counties with increasing caseloads. The policy of basing budgets on FY 2001-02 costs started in difficult state budget times and has continued. Counties have reacted differently including many counties investing their own funds to support CWS programs. A \$98 million increase in State funding in FY 2006-07 to improve CWS outcomes has mitigated this issue to some extent. A survey of these cost levels for CWS and other social service programs is underway and will be reported separately in the May Revise of the FY 2007-08 Budget as required by a separate budget language requirement.
- *Delivery of staffing has improved despite significant cost pressures on the counties.* Between FY 2001-02 and FY 2005-06 salaries across the State increased by an average of 23 percent. Yet counties increased the staffing levels by four percent and reduced the cases per Full Time Equivalent (FTE) by 13 percent since FY 2001-02. The most significant increases occurred in FY 2005-06 when counties contributed \$155 million more than required by the budget.
- The report prepared by UCD/CPPR on child welfare in California and other states points out the following:
  - *Staff is more experienced in California:* California's child welfare system is better prepared than other states to meet the challenges of CWS because it has higher educated and more experienced staff and lower turnover of caseworkers on a statewide basis.
  - *Budget should be influenced by outcomes:* The report found no state with an outcomes-driven budget or outcomes-driven resource allocation methodology although it did raise the question of providing additional CWS FTEs or other funding without requiring improvement of outcomes. Emphasized in the report was the idea of shared risk between State and counties in the delivery and

performance of CWS services and resultant outcomes, particularly in view of potential federal penalties. After discussions with multiple stakeholders, UCD suggested the need to develop a set of approaches (in addition to revised caseload standards) that would make funding for CWS more; 1) flexible, 2) sensitive to demographics, prevention and outcome oriented, and 3) responsive to changing outcome data.

- *The size of caseloads of social workers does matter.* UCD's review of literature on the subject consistently found that the more hours a worker can spend with the child or family, the better the outcomes. Counties have improved the cases to worker ratio by 13 percent since FY 2001-02. Coincidentally, since FY 2001-02 State and county funding has increased and California's CWS outcomes have also improved. Further, UCD reports that although the SB 2030 study offers standards that are better for California than other studies not tailored to California's program the standards are old and do not reflect current practice.
- *California's AB 636 system is a comprehensive planning and measurement tool that requires an intensive local planning process to chart improvements.* It measures the major State and federal CWS Program indicators on a quarterly basis. UCD found that no other state has a system as well developed as California's.

## **Conclusions**

California's CWS Program has made significant improvement in outcomes in both State and federal measures in recent years. State funding for the program has increased while overall caseloads have declined. More workers were hired and individual workloads have been reduced even while the counties faced significant cost pressures from enacted collective bargaining agreements. Further, counties have made significant funding contributions beyond those required by State law.

The CWS Program delivery, casework and service approaches are changing. The traditional workload standards are not applied in all circumstances today. Counties need the flexibility to deploy resources based upon local variations as well as to test promising innovation in casework practice and preventative approaches to maintain family units. Practice is changing, as it has since the SB 2030 Study was completed six years ago. California is in the midst of this innovation with the implementation of differential response, standardized safety assessment and development of the Title IV-E Capped Allocation Waiver project, all with the goal of improving safety, permanency, and well-being outcomes for children and families.

The UCD-CPPR report reinforces that California is better prepared to address CWS issues than other states. Worker turnover is lower and worker education and experience is higher than most other states. UCD also identifies that the SB 2030 workload report offers a better standard for California among the limited array of standards. All states, however, were in search of best practices and found those could

not be achieved without reduced caseloads and a stable and well-trained workforce. In spite of growing performance expectations of the federal government, states have had difficulty linking CWS budgeting and funding directly to outcome measures even in the face of the federal penalty “incentive” created by the federal Administration for Children and Families as part of their Children and Family Services Reviews (CFSR.)

It is appropriate that CWS outcome measures remain spotlighted for purposes of developing effective program strategies. California counties’ System Improvement Plan process is central to this effort and CDSS monitors progress for individual counties on an ongoing basis. As part of the research for this report, CDSS found that not all counties are receiving the resources necessary to meet the basic CWS requirements in State and federal law. Because of the State policy on holding counties harmless for caseload declines, the cost per case funding varies significantly by county. A revised policy that allows for some funding stability in the short-run while recognizing the budget reality of caseload changes over the long-term should be considered.

The legislative direction also requires CDSS to review the study of workload standards known as the SB 2030 Report issued in 2000. The SB 2030 Study is over six years old and new directions have been authorized for the CWS program and counties are requesting more flexibility in the expenditure of allocations. The SB 2030 study can only be a guide post for comparing funding allocations. Comparison in this way provides both the State and counties the flexibility to deploy resources most appropriately for current circumstances and local needs, yet maintain a gauge for appropriate funding levels.

A stable and predictable funding methodology that corrects the inequities among counties needs to be developed, and future cost-of-doing-business increases should be addressed. Additionally, efforts to link outcomes and budgeting need to be expanded. The state has utilized FY 2001-02 unit cost levels for the past five years. Counties contend these levels are not adequate.

The State must also learn more about the characteristics of the families that are served as well relationships between the risk factors and changes in caseloads in CWS. The UCD report identifies children in poverty as the primary risk indicator for putting children at risk. The report also discusses the impact of ethnicity on the program in the future. With California’s growth in population and change in the demographics, work needs to be done to understand what the program services will be in the future. A better understanding of these dynamics is necessary to understand future budget pressures.

The State and counties must continue to pursue improved outcomes. It is the right thing to do for California’s children and it will demonstrate to both the public and the federal government that California is serious about its CWS efforts. There must be an agreement on the most crucial outcomes to emphasize and improve. There must be formal evaluations of new programs that show promise and secure an investment of State funds. Finally, significant portions of the CWS budget should be linked to outcomes in the future. Many states are attempting the linkage of outcomes and

budget. California's outcome measurement system is reported as far better than most other states' systems. However, some of those measures will be changing under new federal guidelines established in 2007 which will impact the State's February 2008 CFSR. California has also provided recent augmentations to support local System Improvement Plans aimed at improving outcomes. A process for agreement on priority outcomes and linkage to the budget is the next logical step for California's CWS Program.

## **Departmental Priorities and Recommendations**

CDSS proposes the following priorities and recommendations to improve the budgeting and allocation system for CWS. Consistent with our conclusions, the State should:

1. In the interest of safety to children, include a safeguard to assure the maintenance of purchasing power for CWS operations in counties.

*Recommendation: Work with CWDA to establish a stable and predictable funding methodology that builds upon the total resources available, and \$473 million invested in recent years, recognizes the increasing cost of services over time, and provides the flexibility necessary to meet local needs.*

2. Establish equitable funding allocations for all counties in an easily understood manner. Provide limits to the policy of holding counties harmless for caseload declines and establish future funding based on caseload trends.

*Recommendation: Work with the CWDA to develop a funding allocation that addresses funding inequities caused by hold harmless.*

3. Work toward a consistent sharing of non-federal match requirements between the State and counties.

*Recommendation: Share all CWS Program costs on a consistent basis with the current law of 70 percent State, 30 percent county of the non-federal share of costs.*

4. Better understand the demographic factors affecting California's CWS Program.

*Recommendation: CDSS should begin to study the linkages between populations, poverty and related demographics and the CWS caseloads. Annually with the submission of the Governor's Budget, CDSS should submit information on significant trends that could impact CWS caseloads.*