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CALIFORNIA TITLE IV-E DEMONSTRATION PROJECT EXTENSION PROPOSAL

I. BACKGROUND

The California Department of Social Services (CDSS) has requested a five-year extension of the current Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project (CAP). The current prohibition on the use of Title IV-E Foster Care funding for service provision continues to hinder the state's ability to address the individualized services and specialized needs of children, youth and families served by the Child Welfare Services (CWS) and Probation systems. In response to systemic and practice changes within child welfare and probation, CDSS has placed more emphasis on child and family well-being; therefore, additional programmatic changes in these areas are proposed to be targeted in the waiver extension implementation.

A. Child Welfare in California

The California Legislature passed the California Child Welfare System Improvement and Accountability Act of 2001, which required CDSS to establish a California Child and Family Services Review System (C-CFSR). The C-CFSR became effective in January 2004. This system focuses primarily on measuring outcomes in safety, permanence, and child and family well-being. California's system of oversight aligns with the federal CFSR monitoring system and recognizes promising practices in CWS and Probation. The C-CFSR operates on a philosophy of continuous quality improvement, interagency partnerships, community involvement, and public reporting of program outcomes.

B. Current Demonstration Project

In March 2006, California was approved to implement the CAP. Los Angeles and Alameda are the two participating counties and it was implemented on July 1, 2007. The purpose of the CAP was to support counties with the flexible use of federal and state foster care funding to assist child welfare and probation to develop and implement alternative services as a means to improve outcomes for children and their families.

The two counties have identified that participating in the current project allowed them to provide direct, individualized services to children and families in their communities in meeting the goals of their projects. Evaluation findings suggest that the use of flexible funding under the CAP facilitated the participating counties' pursuit of expanded

programs and improved outcomes for children and families. In addition, both child welfare and probation in each county operated within their capped allocations and were successful in reducing the number of children and youth entering foster care.

Los Angeles and Alameda have both indicated their interest in continuing the waiver and participating in the extension. On March 9, 2012, the Administration for Children and Families (ACF) granted a short-term extension for the CAP through June 30, 2013. A subsequent request was submitted on January 22, 2013, for the short-term extension to be continued through June 30, 2014, or until the full five-year project is approved.

C. Realignment

The 2011 Budget Act of California includes a major change in the fiscal environment for CWS and Foster Care (FC). Referred to as “realignment”, State General Fund (SGF) formerly provided to the counties from the state for child welfare and probation has now been shifted, or realigned, to counties as a revenue stream in the form of a portion of the state sales tax. Realignment moves fiscal responsibility for the non-federal share of cost of program activities and services to the local government where increasing flexibility with funds allows counties to determine how to best service the children and families in their communities. Counties are still required to meet all state and federal mandates in CWS and Probation. California is still a state-supervised and county-administered child welfare system.

Counties participating in the demonstration project will be required to provide the Title IV-E match with the realigned funding and other local funds. The State/County Memorandum of Understanding (MOU) will identify the amount of match funds that must be used under the demonstration project.

II. STATEMENT OF THE PROBLEMS AND PROPOSED PROJECT

A. Statement of the Problems

Title IV-E Foster Care funds are open-ended and allocated to the state based on the actual board and care costs of eligible children in out-of-home care. These funds cannot be used to provide direct services for children, youth, and families. This inflexible funding and restrictive eligibility criteria, based on 1996 program rules, continues to inhibit the state in responding effectively to the individualized services and specialized needs of children, youth, and families served by county CWS and Probation systems. The inability to direct funding toward need-based services and evidence-based interventions impedes California counties from advancing well-being outcomes.

B. Proposed Project Solution

The purpose of the demonstration project is to: 1) support counties with the flexible investment of federal Title IV-E funding to implement alternative services that better

meet the needs of children, youth, and families, 2) improve child welfare outcomes, and 3) promote social and emotional well-being.

Title IV-B of the Social Security Act (SSA) provides federal funding for CWS, which includes direct services to children and their families to assist with family preservation and family reunification efforts. Title IV-B monies are capped and insufficient to meet the needs of children and families who are referred to local CWS programs. Socio-economic trends seen over the last decade have impacted the needs of children, youth, and families served by CWS funded programs as well as demographic changes occurring within California now require these public programs to address increasingly diverse populations within the state.

By granting flexibility in the use of unrestricted Title IV-E funding under the demonstration project, the state would support counties to better target services that address the unique cultural and individual needs of the children, youth, and families that they serve. Under an extension, the state would be able to implement and expand child welfare and probation practices and evidence-based interventions across a larger number of counties statewide impacting key outcomes and well-being.

Proposed Modification for New County Participation

The CDSS is requesting an increase in the number of counties able to participate in the demonstration project in order to include all interested new counties.

In August 2012, CDSS requested a Letter of Intent (LOI) from counties electing to participate in the waiver extension. The CDSS received 23 LOI's (signed by CWS and Probation) including Alameda and Los Angeles Counties. Currently, there are 21 counties that continue to express interest in participating in the project. Within their LOI, each county identified preliminary strategies to be implemented under the project. These counties include: Alameda, Contra Costa, Fresno, Inyo, Lake, Los Angeles, Mariposa, Mendocino, Nevada, Orange, Riverside, Sacramento, San Diego, San Mateo, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Tulare and Yolo.

The CDSS is proposing a modification to develop a two cohort approach for the project. The first cohort would include Alameda and Los Angeles counties, as they have completed a full five years of waiver implementation under Phase I. This cohort (hereinafter referred to as Cohort 1) would continue implementing their waiver strategies with adjustments based on their county level evaluation findings and lessons learned from Phase I. Cohort 2 would include the additional counties identified above; the new participating counties would begin waiver implementation activities under a Phase II extension period.

B. Project Period

The requested extension period for the demonstration project is five years, beginning July 1, 2014 and ending June 30, 2019.

The state and individual counties reserve the right to terminate the Terms and Conditions during the project period if federal or state statutes or regulations are enacted that would have a negative effect on the design and impact of this project. Under these circumstances, the United States Department of Health and Human Services and the state will reassess the overall project and develop a mutually agreed upon strategy for dealing with the project in the context of such changes. If such a mutually agreed upon strategy cannot be developed, the state reserves the right to withdraw from the project. Furthermore, the state and each participating county reserve the right to opt out at any time from the demonstration project. In such cases, the participating counties will reconcile with the state any costs due to the federal government at that time.

III. PROPOSED PROGRAM INTERVENTION

The extension of the demonstration project will continue using a capped allocation of federal Title IV-E funds. The capped federal funds will be used to provide direct, individualized services to children and families without regard to their federal eligibility or placement in out-of-home care. The project implementation will focus on prevention, family engagement and family centered practice, aftercare services, and evidence-based interventions. Participating counties will build on and expand current efforts already underway and that align with other state level initiatives that are being implemented. In addition, the project will provide counties increased flexibility and resources to target subpopulations with specific services in order to better address their trauma related or specialized mental health needs within CWS and Probation.

IV. GOALS AND OUTCOMES

A. Goals

The goals of the demonstration project maintain the same goals as stipulated in Section Two of the current Terms and Conditions:

- To improve the array of services for children and families and engage families through a more individualized approach that emphasizes family involvement;
- To increase child safety without an over reliance on out-of-home care;
- To improve permanency outcomes and timelines; and
- To improve child and family well-being.

B. Outcomes and Performance Measurements

The CDSS plans to revise the performance indicators for the demonstration project to be in alignment with the updated federal CFSR measures (when issued and available).

Project outcomes include:

- Decreased entries;

- Increased placement in most appropriate and least restrictive setting;
- Decreased reentries;
- Decreased recidivism; and
- Increased child and family functioning.

V. TARGET POPULATION

The target population to be served is Title IV-E eligible and non Title IV-E eligible children and youth ages zero to age 18 currently in out-of-home placement, or who are at risk of entering or re-entering foster care. The two existing waiver counties, Alameda and Los Angeles, currently represent over 35 percent of the statewide foster care caseload. With the inclusion additional interested counties, the demonstration project could impact up to 75 percent of the in-care foster care caseload within California.¹

VI. HYPOTHESIS TO BE TESTED

The CDSS believes that if counties are able to exercise the use of unrestricted federal Title IV-E Foster Care funding to provide alternative services, then children, youth, and families would be more likely to be engaged, benefit from direct services, remain safely in their own homes, and to experience improved functioning.

Therefore, it is hypothesized that an increase in alternative services in the areas of prevention, family engagement and family centered practice, aftercare services, and evidence-based interventions will be more effective in improving safety, permanency, and well-being outcomes for children, youth, and families served by the child welfare and probation systems in the participating counties.

VII. EVALUATION PLAN

California will use an independent third-party evaluator in order to provide objective findings and to measure the success of the demonstration project's goals and outcomes. The evaluation will include a process study, an outcome study, and a cost analysis as required under the federal Terms and Conditions. The evaluation contractor for the first five-year period, 2007-12, was San Jose State University Research Foundation. A competitive procurement process will be used by the state to secure an evaluator for the demonstration project extension.

At this time, the CDSS proposes to continue using a pre/post interrupted time series design for the data collection with the participating county serving as the unit of analysis. To the extent possible, county case-level child and family data including validated assessment instruments and intervention specific measures will be utilized. For the waiver extension the evaluation will add the use of formal sub-studies focusing on selected intervention programs and/or targeted outcomes of the project.

¹ Source: Child Welfare Services/Case Management System, 2012 Quarter Two Data Extract

VIII. COST NEUTRALITY AND PROPOSED FISCAL MODEL

A. Background

In July of 2007, two counties in California (Los Angeles and Alameda) began participation in the current CAP. The remaining 56 counties continued to operate their CWS and FC programs under the standard federal Title IV-E and Title IV-B entitlement funding mechanisms. In the years following the start of the CAP California, like all states in the nation, began to experience fiscal distress due to the many factors stemming from the economic downturn. These factors ultimately had an impact on state funding provided to counties through the direct subvention process.

Beginning in July of 2009, the SGF for CWS was significantly reduced. This was coupled with reduced availability of local match dollars from various fund sources, including sales tax. The reductions in these two sources of funds impacted the amount of match dollars that were available for Title IV-E funded activities. Counties were ultimately faced with the fiscal reality of having insufficient funding to sustain previous levels of operations across all programs, including CWS and FC. This ultimately led to county efforts to reduce program costs to live within constrained local budgets, with overall funding levels being significantly lower in 2012 that they were in 2007.

At the same time these funding reductions were occurring, funding pressure was being added to the FC program through a series of court decisions. Plaintiffs argued that the recognition of cost of living increases included in state law for FC maintenance should be funded as a mandate, and not on a discretionary basis as had been the practice of the state based on availability of funds. The courts agreed and subsequently directed the state to restore funding to increase the FC rates for past cost of living increases that had not been funded. The courts also ordered the state to fund future cost of living increases to FC rates based on changes in the California Necessities Index (CNI). These changes were implemented in October of 2009.

As referenced earlier under realignment, an end result of California's efforts to meet overall budgetary requirements created the establishment of a permanent funding mechanism for counties to rely upon to fund the non-federal share of costs of social services programs, including CWS and FC. Beginning in July 2011, counties now have the full responsibility for funding all non-federal costs in CWS and FC out of their respective share of realigned revenue. This permanent fund source for counties is funded through two sources – a state special fund sales tax and Vehicle License Fees. The state no longer participates directly, via the subvention process, in funding the non-federal share of CWS or FC out of the SGF, as had been the case in fiscal years prior to 2011.

Current Environment

The end result of the fiscal crisis on California counties, as far as CWS and FC are concerned, is the reality of reduced funding levels compared to earlier years, and reduced operational levels due to budget actions to decrease program costs. As the fiscal crisis has showed signs of lessening in 2012, counties are now faced with the need to examine current and future program levels, in light of current and future funding levels. County decision-makers will be required to make decisions about restoring capacity to a system that experienced constraints several years ago. These decisions will be made in a fiscal environment that has less funding available than at the start of the fiscal crises.

In addition, with a reinforced focus on improved outcomes, especially for the 19 counties intending to join Cohort 2 of the waiver extension, CWS program capacity must be built to not only sustain current operations, but increased to provide upfront and intensive services. In many cases this will require county CWS programs to expand from their current levels, especially to address the needs that will arise during the period the county is operating the demonstration project.

The other reality that counties are faced with, regardless of what actions were taken to reduce program costs in the last three to four years, is that the overall population of children in California has continued to increase. The table below shows that for the state overall, and for the group of counties planning to be in Cohort 2, the number of children has grown, as well as the general population, from the year 2000 to 2010. While there may have been temporary reductions that occurred during the fiscal recession which affected the number and costs of children served in CWS and FC, the overall population of children in California has not declined. Counties must be prepared to address the needs of vulnerable children that inevitably will be referred into the system in the upcoming years.

California Child Population Growth	Statewide	Cohort 2
Total Children 2010*	9,295,040	4,123,529
Total Children 2000*	9,249,829	3,944,702
Percent Growth	0.49%	4.53%

Total General Population 2010	37,253,956	16,461,464
Total General Population 2000	33,871,648	14,647,354
Percent Growth	9.99%	12.39%

**Total Children reflects persons under 18 years*

Data Source: California Department of Finance, Extract U.S. Census Bureau, Census 2000 and 2010, Population, Age and Sex Characteristics, April 1, 2000 and April 1, 2010, Incorporated Cities and Census Designated places (CDP) by County in California

B. Cohort 1 (*Alameda and Los Angeles Counties*)

Alameda and Los Angeles Counties have both identified lessons learned during the initial project period, and by continuing their project at the same funding level, they will be able to sustain the prevention, early intervention, post-permanency and self-sufficiency services that have already been developed and implemented. The CDSS is requesting that no change be made to the funding methodology as stipulated in Section four of the current Terms and Conditions.

C. Cohort 2 (*New Intent Counties*)

Federal Funds

In recognition of the factors described in the discussions on Background and Current Environment above, California will use a logic model that focuses on historical expenditures adjusted for known factors that currently affect, and will continue to drive, costs in the demonstration project during the project period from Federal Fiscal Year (FFY) 2014 to FFY 2019. This logic model is based on the fact that FFY 2009 is the last full FFY of expenditures prior to the court-mandated increased costs in assistance, and prior to the overall reductions in Title IV-E drawdown due to the state fiscal crisis. For the 19 new intent counties, California intends to establish a federal waiver-funding base that reflects FFY 2009 historical expenditures adjusted for known factors, as the starting waiver base beginning July 2014. This base will then be adjusted each year by factors to address known cost increases that will affect the overall operation of the demonstration project.

The FFY 2009 was selected as the best indicator of where counties may find their programs 18 months from now. Expenditures in years prior to FFY 2009 are not reflective of the more recent changes in program operations, and expenditures in years after FFY 2009 are unduly influenced by the fiscal recession and the inability of counties to fully utilize available Title IV-E funds due to program impacts caused by restricted county budgets. There are no current federal deferrals or disallowances that impact the use of Title IV-E expenditures from FFY 2009. All incremental increases of funding made available to the state under the American Recovery and Reinvestment Act have been removed from the expenditures used, so that the funds reflect the normal 50 percent funding available under California's standard Federal Medical Assistance Percentage (FMAP).

Because California is a state supervised, county administered system, CDSS views each county as an autonomous entity for the purpose of building the total funding need for the waiver. The methods described below will be applied to each county individually, building a five-year waiver funding level for each county, and then the amounts from each county will be summed by year and for the five years to arrive at the total funding need for Cohort 2. This eliminates the need for the state to negotiate a single amount for the group, and then allocate that amount to the participants based on factors currently unknown. This approach to summing the individual county needs is consistent with the approach taken with Los Angeles and Alameda Counties in the current CAP funding base.

For the assistance portion of the federal funds base, the FFY 2009 Title IV-E expenditures for each county have been extracted and verified from the CDSS claim database. These total assistance dollars will be adjusted to reflect the court mandates to fund annual CNI adjustments beginning October 2009. The adjustment factors will be applied for each group of providers, i.e., Group Homes, Foster Family Agencies, and Foster Family Homes, based on individual county data regarding the composition of their assistance expenditures in these three distinct groups. Once the court mandates are applied, these expenditures will be re-summed and used as the July 2014 starting point. In each succeeding year of the waiver, the federal funds schedule for each county will be increased by the court mandated CNI adjustment that applies to each component. A schedule for the full five years will be built for each county.

For the administrative funds portion of the federal funds base, the FFY 2009 Title IV-E expenditures for each county have been extracted and verified from the CDSS claim database. These federal administrative dollars will be carried forward without adjustment to be the July 2014 starting point. In each succeeding year of the waiver, the federal funds schedule for each county will be increased by a factor established by averaging the annual CNI combined with the average state sales tax growth rate. These two factors were selected as the indicators that will reflect county ability to draw Title IV-E (sales tax that funds realignment providing match funding), and the impact on county operational costs due to environmental business factors (CNI being a proxy for increased costs). A schedule for the full five years will be built for each county.

The combined federal funds for assistance and administrative costs represented in the schedules described above will be the total federal funds committed to the demonstration project for purposes of establishing federal cost neutrality. The CDSS will implement procedures to ensure that participating counties in Cohort 2 do not draw federal Title IV-E above the levels established via the Terms and Conditions, which is equivalent to the approach for maintaining cost neutrality established in the current waiver for Los Angeles and Alameda Counties.

As with the current waiver, there will be specific cost items established in the Terms and Conditions that will remain funded with entitlement Title IV-E funds outside of the federal funds level established above. These include expenditures for Training, Statewide Automated Child Welfare Information System (SACWIS), Licensing, Adoptions, and all costs for children ages 18 to 21 in the extended foster care program. Under the currently established provisions of operating a tribal Title IV-E program, CA tribes operate independently of counties and therefore will continue to receive entitlement Title IV-E funds outside the waiver.

Match Funds

Since there is no waiver of the traditionally required non-federal match for Title IV-E funds for states participating in a waiver demonstration project, all federal Title IV-E funds will be matched at the FMAP rate, currently 50 percent federal, with the match at 50 percent non-federal funds. As a result of realignment, the state no longer has a direct funding involvement in the Title IV-E match for CWS and FC. Match funds committed to the waiver will be solely the responsibility of the counties and will be used

within the construct of the approved new federal Terms and Conditions. A schedule for the full five years will be built for each county.

IX. STATUTORY AND REGULATORY REQUIREMENTS

California requests that the following provisions of the SSA and Program Regulations continued to be waived in order to implement the demonstration project:

- Section 472(a) – Expanded Eligibility: To allow the state to expend Title IV-E funds for children and families who are not normally eligible under Part E of Title IV of the Act as described in the Terms and Conditions.
- Section 474(a)(3)(E) and 45 Code of Federal Regulation 1356.60(c)(3) – Expanded Services: To allow the state to make payments for services that will be provided that are not normally covered under Part E of the Title IV of the Act; and to allow the state to use Title IV-E funds for those costs and services as described in Section 2 of the Terms and Conditions.

X. RELATED PROJECTS IN CALIFORNIA

California is currently operating two system reform initiatives that are similar to the Title IV-E waiver. One is a federally funded project and the other is a state system reform partnership established under Senate Bill 1013 (Statutes of 2012). Although these foster care initiatives are implemented independently they align with the demonstration project's efforts to support family centered practice changes, enhanced services, and improved well-being outcomes for children, youth, and families within the counties.

California Partners for Permanency (CAPP)

The CAPP's Child and Family Practice Model presents a comprehensive approach to working with children, families, communities, and tribes to reduce long-term foster care in California. Currently, there are four participating counties in California: Humboldt, Los Angeles, Santa Clara, and Fresno. Los Angeles, Santa Clara, and Fresno have submitted a LOI to participate in the waiver extension.

Continuum of Care Reform

In September 2012, the CDSS in partnership with the County Welfare Directors Association of California (CWDA) launched the Continuum of Care Reform (CCR) effort. The CCR will develop recommended revisions to the State's current rate setting system, services and programs serving children and families in the continuum of Aid to Families with Dependent Children – Foster Care (AFDC-FC) eligible placement settings. Through the CCR efforts, a detailed action plan will be developed and provided to the California legislature by October 1, 2014. The action plan will include information on current reform improvements made administratively and recommended revisions to improve the continuum of care through legislative action.

XI. AUTOMATED CHILD WELFARE SYSTEM

Child Welfare Services/Case Management System (CWS/CMS)

In operation since 1997, the CWS/CMS is California's federally funded SACWIS. The CWS/CMS is a computer based application that links all 58 counties and the state to a common database. It serves as a statewide tool that supports the delivery of effective CWS through an online client management database that tracks each case from initial contact through termination of services. The system is comprised of 426 sites within the 58 counties, 110 servers, and over 23,000 active users including child welfare caseworkers, public health nurses, and probation officers.

To the extent that the existing database captures the specific data needed to assess the performance of the participating counties under the project there should be no additional impact on the CDSS CWS/CMS system.

XII. STAKEHOLDER INPUT

Over the last two years, there have been a number of forums sponsored for counties and stakeholders to participate in the development of the California extension proposal as outlined below:

October 2011 – The CDSS hosted a convening/webinar for counties that might be interested in participating in an extension of the project. At this convening Alameda and Los Angeles Counties presented information on their projects including program and fiscal data. The CDSS gave information on the timelines and process of an extension.

February 2012 – The Casey Family Programs (CFP) hosted a convening with the CDSS, the two participating counties, George Sheldon, Acting Assistant Secretary for the ACF, Bryan Samuels, Commissioner of the Administration for Children, Youth and Families, representatives from CWDA, and counties interested in learning more about the waiver. The purpose of this convening was to disseminate information about the new child welfare waiver demonstration projects process versus the CAP extension. Counties were able to breakout into smaller groups in order to identify the possibility of their participation in an extension.

August 2012 – The CDSS hosted a webinar to answer questions regarding County Assessment documents that had been sent to all 58 counties early in August in California regarding the county's interest in participating in the Title IV-E Child Welfare demonstration project. The purpose of the webinar was to allow counties to ask questions about the assessment documents which included information about fiscal and program data. There were over 100 participants in this webinar.

October 2012 – The CDSS sponsored a two-day convening with CFP regarding the extension of the demonstration project. The purpose of the convening was to gather

program and fiscal data from the 23 counties that had submitted a LOI to CDSS to participate in the project. Each invited county was asked to send two staff from CWS and Probation, preferably one each from program and fiscal.

This convening allowed participants to receive information, ask questions, and engage in discussions with CDSS and the two current CAP counties and included breakout groups on program strategies and fiscal parameters. The CDSS used the data gathered over the convening to inform and develop the waiver extension proposal. There were over 150 county representatives that participated in this two-day event.

XIII. GENERAL ASSURANCES

A. Court Orders

There are no existing court orders against the state that are directly related to this demonstration project proposal. However, the class action lawsuit settlement identified below will impact how counties will be changing their way of doing business to integrate practice and effective service delivery between child welfare and mental health systems.

Katie A. Settlement Agreement

The *Katie A. v. Bonta et. al* Settlement Agreement was reached in December 2011. This agreement provides that the CDSS and the Department of Health Care Services will improve coordination using a shared management structure and establish an integrated practice model for children in foster care who need individualized mental health services. California was required to begin implementing the provisions of the settlement agreement in all 58 counties beginning January 1, 2012. The first year addressed planning with the remainder to be completed within a three-year period.

B. County and Local Cooperation

The state agrees to execute all necessary MOU's with participating counties prior to the implementation of the demonstration project. The CDSS will provide information to all participating counties and stakeholders about the final project requirements upon approval of the new federal Terms and Conditions.