

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street Sacramento, CA 95814



June 16, 2003

FOSTER CARE RATES LETTER (FCRL) NO. 2003-04

TO: ALL GROUP HOME PROVIDERS  
ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY CHIEF PROBATION OFFICERS  
ALL COUNTY MENTAL HEALTH DIRECTORS

SUBJECT: AID TO FAMILIES WITH DEPENDENT CHILDREN – FOSTER CARE  
(AFDC-FC) RATE FOR GROUP HOME PROVIDERS THAT ENGAGE IN  
SELF-DEALING LEASE TRANSACTIONS FOR SHELTER COSTS  
(AFFILIATED LEASES)

REFERENCE: SENATE BILL (SB) X1 24 (Chapter 7, Statutes of 2003)

This Foster Care Rates Letter provides information on changes to the requirements for obtaining an AFDC-FC rate due to the passage of SB X1 24 (Chapter 7, Statutes of 2003).

**SB X1 24 PROVISIONS**

Previously, California Welfare and Institutions Code (W&IC) Section 11462.06(a) required in part that allowable costs of affiliated leases were subject to a review by the Charitable Trusts Section (CTS) of the Department of Justice (DOJ). Furthermore, Section 11462.06(b) specified that an approval letter must be obtained from the CTS of the DOJ for approval of shelter costs resulting from self-dealing transactions as defined in California Corporations Code Section 5233. That section defines a self-dealing transaction as one to which the corporation is a party and in which one or more of its directors has a material financial interest, e.g., a self-dealing lease, which does not meet certain specified requirements.

SB X1 24 modified W&IC Sections 11462.06(a) and (b), effective May 5, 2003, to delete the requirement for a review and approval letter from the CTS and added W&IC Sections 11462.06(d)(1) and (2) which become effective July 1, 2003. Under the provisions of the new Sections, commencing July 1, 2003, any group home provider with an affiliated lease (shelter costs that result from self-dealing transactions) will not be eligible for an AFDC-FC rate. The only exception to this prohibition is for a group home provider that received an approval letter for fiscal year 2002-2003, from the CTS for shelter costs resulting from a self-dealing lease transaction. The Statute provides that such providers will be eligible to continue to receive an AFDC-FC rate until the date the approved lease expires, is modified, extended, or terminated, whichever occurs first. After that date, these providers will be ineligible to receive an AFDC-FC rate if they have entered into any self-dealing lease transactions for group home shelter costs.

The California Department of Social Services Foster Care Rates Bureau (FCRB) will allow providers which have received an approval letter from the CTS for fiscal year 2002-2003 to continue to receive their AFDC-FC rate until the expiration, modification, extension, or termination of the approved lease. At that time, such providers will be required to submit additional information verifying the nonexistence of a self-dealing lease, including, but not limited to, a new lease approved by the Board of Directors after the resignation of all interested directors, declarations

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signed by each board member and the interested directors who resigned, and a certified copy of board minutes for all relevant meetings, which demonstrate that no member of the Board of Directors has a material financial interest in the property being leased to the nonprofit corporation. Failure to submit adequate documentation regarding the termination of the self-dealing lease will result in termination of the AFDC-FC rate.

In order to avoid disruption in payment for AFDC-FC placements, it is highly recommended that providers that currently have a self-dealing lease take appropriate steps to ensure that, prior to any change in the lease, the provider secures an acceptable alternative lease agreement or other housing arrangement for the group home and provides the required documentation to the FCRB to demonstrate the nonexistence of a self-dealing lease. This documentation should be submitted at least 60 days prior to the termination, modification, or expiration of the current self-dealing lease transaction for shelter costs. **Providers which engage in a self-dealing lease transaction past the date their currently approved lease terminates, is modified, or expires will be subject to termination of their rate. This includes all extensions of current leases.**

### CTS REVIEW ACTIVITIES

Since SB X1 24 deleted the requirement for a CTS letter of approval effective May 5, 2003, the CTS stopped accepting new requests for such letters. At the same time, the CTS also stopped processing all pending requests for letters of approval for fiscal year 2003-2004 and is only completing processing of pending requests for fiscal year 2002-2003. Anyone with questions regarding self-dealing leases for shelter costs should contact their Foster Care Rates Analyst to determine the effect of the new law on their specific situation and their AFDC-FC rate.

If you have any questions regarding this letter, please contact your Foster Care Rates Consultant at (916) 263-0441.

Sincerely,

Original signed by

SHEILAH DUPUY, Chief  
Foster Care Rates Bureau

c: County Welfare Directors Association  
Foster Care Alliance  
African American foster Parent and Group Home Association  
Community Residential Care Association of California  
Residential Care Providers Association of Los Angeles County  
Association of Minority Adolescents in Residential Care Homes of Los Angeles  
County  
California Alliance of Child & Family Services  
Association of Minority Adolescents in Residential Care Homes (AMARCH)