

STATEMENT OF  
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SANTA BARBARA COUNTY  
BEFORE THE LITTLE HOOVER COMMISSION

APRIL 24, 2003

I would like to thank the Commission for inviting me to share my perspective on opportunities to reform the governance and financing of California's child welfare services.

The purpose of my testimony covers these points:

- to provide an overview of the innovations we have implemented in the children's services of Santa Barbara County and the outcomes we have achieved;
- to describe how we have financed these reforms; and
- to suggest some "lessons learned" that may help improve the cost-effectiveness of children's services across the State.
- WHAT NOW?

Integrating Children's Services in Santa Barbara County

In 1994, Santa Barbara County was selected by the U.S. Department of Health and Human Services (HHS) as one of 22 communities across the nation to receive a five-year, \$14 million grant to implement a "system of care." The goals of the County's "Multi-Agency Integrated System of Care" (MISC) initiative were to:

- expand the programs that have developed an infrastructure for a community-based, interagency approach to serving children and adolescents;
- provide a broad array of services that are community-based, family-centered, and tailored to meet the needs of the child/adolescent through an individualized service planning process; and
- demonstrate the feasibility and benefits of providing the full array of needed services in the cultural context that is most appropriate for the child and family involved, ensuring the full involvement of families in the development of local services and in the care of their children and adolescents.

MISC teams are composed of Department of Social Services (DSS) child welfare staff and their supervisors, juvenile probation officers, health care nurses, and child mental health practitioners. In addition, other staff may be assigned to a MISC team from DSS and other partner agencies as caseloads and conditions warrant. Although MISC relies heavily on community-based organizations to deliver services, DSS social workers remain the primary case manager for child welfare cases.

The MISC initiative provides an up-front assessment of each child's risk of out-of-home placement. For children who are determined to be at risk of removal, and for whom pre-placement preventive services would appear as viable options to foster care, a case plan is prepared and implemented.

According to data from the ongoing, independent evaluation conducted by the University of California at Santa Barbara (UCSB), the MISC collaborative has accomplished its goals in a cost-effective manner. In addition, data from other sources document that the County's approach to child welfare services has resulted in a number of positive outcomes.

- In 1999, the ratio of children entering foster care to the total child population in Santa Barbara County was approximately half the statewide average (1.72 per thousand children vs. 3.47 per thousand children statewide).
- In 1999, 55% of the children who were placed in out-of-home care were placed in single-family homes (rather than group homes or Foster Family Agency homes) compared to 30% for the state.
- For the period 1993 to 1999, the average stay in out-of-home care by the County was 38% shorter than the statewide average (8 months vs. 13 months for the state).<sup>1</sup>

Anticipating the end of the Federal "system of care" grant, a few years ago County officials formed an interagency task force charged with the responsibility for sustaining an extremely cost-effective collaborative.

#### Vision-Driven Revenue Maximization

The essence of the County's approach to MISC's fiscal sustainability has been "vision-driven." We have not attempted to secure additional revenues for the sake of additional revenues. Instead, using the MISC model as our vision, we have undertaken to "weave" together multiple funding streams to maximize revenues without distorting that vision.

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<sup>1</sup> Data derived from the U.C. Berkeley, Center for Social Services Research.

The sources of funding that we have harnessed in support of our children's services, over and above the State's "regular" allocations for child welfare services, include the following:

- **MediCal** – We have made extensive use of both fee-for-service MediCal and the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) component of MediCal;
- **Healthy Families** – This program has provided funding for needed health and mental health services for children with incomes above those that would qualify for MediCal; and
- **Temporary Assistance to Needy Families (TANF)** – We have made a major commitment of TANF funding to support our child welfare services.

While other counties have also accessed MediCal, Healthy Families, and TANF, Santa Barbara is the only California county that the State has allowed to access Federal funding for case management and other administrative costs under the "pre-placement prevention" component of Title IV-E.

#### "Audit Proofing" Our Claim

In the past couple of years, HHS has redoubled its efforts to "keep the lid on" state claims for Title IV-E pre-placement activities. It is within this policy framework that Santa Barbara County crafted its strategy to secure funding for pre-placement prevention services (see attachment).

In order to assure compliance, we have required that the case file of each child served by MISC include a "case plan addendum." This addendum is notable from three perspectives.

- **First, the addendum weeds out those cases involving children who are already in out-of-home care.** FFP for case management and other administrative activities is available under Title IV-E for such children, but only when they have been found eligible for Title IV-E.
- **Second, the addendum clearly indicates whether the child is a "reasonable candidate" or not and describes the basis for that eligibility decision.** The addendum states whether the child's eligibility as a "reasonable candidate" is based upon a IV-E determination, evidence of judicial proceedings, or a defined case plan. The addendum also identifies those children who are not considered to be "reasonable candidates."
- **Third, the addendum documents the needs identified that led the child welfare worker to determine that the child is a**

**“reasonable candidate.”** The addendum asks the child welfare worker to identify such specific needs as the following:

- No parent or guardian is willing or able to care for the child.
- The child is a risk to self or the person or property of others.
- There is a history of policy, probation, or social service intervention.
- There is a reported history of runaway or uncontrollable behavior in the home.
- The child has a history of truancy, behavior, or academic problems in the school setting.
- There is a deterioration of the child’s family and/or peer relationships.
- Substance abuse and/or chemical dependency is indicated on the part of the minor and/or the parent or guardian.
- The child and/or parent have severe physical and/or mental health problems.
- There are other defined service needs necessary to enable the child to remain at home in a safe and secure environment.

It is important to point out that simply making one or more checks on the case plan addendum does not qualify the child as a “reasonable candidate.” Instead, the addendum is intended to force the child welfare worker to identify the key factors documented elsewhere in the case plan that led him or her to make such a determination.

Although not every child served under the MISC initiative meets the criteria to be considered a “reasonable candidate,” to date, Santa Barbara County has been able to draw down **over \$1 million in new Federal funds** for our administrative costs related to pre-placement prevention. This funding has been particularly valuable in helping “fill the hole” created by the reduction in TANF funding.

### Developing Financing Strategies

Given the dynamic, generally bleak outlook for State and Federal financing, we are currently pursuing additional strategies to sustain and enhance our County’s children’s services. Three aspects of this strategy may be of particular interest to the Commission.

- **Reaching out to community-based organizations (CBOs)** – In Santa Barbara and other counties, CBOs play a major role in providing services to children and their families. CBOs provide vital services that county government does not have the resources to provide.

We are reaching out to CBOs in Santa Barbara County to help leverage their non-Federal (“matching”) funds in order to draw down additional Federal funds under both MediCal and Title IV-E. One particularly

valuable source of matching funds are the Proposition 10 funds allocated by our Children & Families Commission.

Recent changes in Federal policy also allow private donations to be used as matching funds for Title IV-E.

- ***Securing parental contributions to the cost of out-of-home care*** – Federal policy requires the parents of children in out-of-home (“foster”) care to contribute financially to the costs of that care. This policy, under Title IV-D of the Social Security Act, also requires parents to provide third-party medical support for their children, where that coverage can be secured at reasonable cost.

We are in the process of discussing with our County Child Support agency ways that we can increase the percentage of foster children for whom financial and medical support is obtained.

- ***Increasing access to Supplemental Security Income (SSI) on the part of children with disabilities*** – Although County government may not benefit directly, increasing access to SSI on the part of a child with disabilities would provide an additional \$552 per month, fully funded by the Federal government, to meet the needs of each eligible child.<sup>2</sup>

Use of these funds is extremely flexible as long as they are used “in the best interests of the child.” Thus, these funds can be used to pay for services and costs that may not be fundable under other Federal funding streams.

### **WHAT NOW?**

Past reforms for the “foster care” system have treated foster care as a separate and “stand-alone” system. In fact, foster care is one component of Child Welfare Services (CWS). What approach (investigation vs. engagement & assessment) is used with families when first brought to the attention of CWS has a big impact on foster care placement decisions. The split responsibilities of foster care between the State and counties also impact on individual placements decisions and outcomes. For example, CDSS sets both the Group Home and Foster Family foster rates and licensing requirements. Group Home rates are set and “attached” to the institution rather than to the individual needs of the child. As the needs of the children placed in foster care change, the current rate setting and licensing system doesn’t allow for system changes necessary to meet the needs of today’s foster child. Thus, there are not sufficient numbers of placement facilities and it is increasingly difficult to match the needs of our foster children with the available facilities.

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<sup>2</sup> Children found eligible for SSI are also eligible for MediCal.

The other issue is one identified by your Commission Report on the Mental Health needs of children in California. Counties struggle with “patching” mental health treatment for foster children placement facilities. This is often at additional county expense to ensure foster children receive the mental health treatment they need. This is an excellent example of why previous attempts at reforming the foster care system haven’t produced the desired outcomes. The foster care system is dependent on integrated services which “wrap around the children”, rather than trying to fit the children into a complex and inflexible structure. It takes all of Child Welfare, Mental Health and Drug/Alcohol treatment, Public Health and Family Support Services to improve outcomes for children and families in our communities.

Our efforts to both improve child welfare outcomes and finance those reform efforts have been a learning experience locally. Specifically, we have learned three lessons which would apply to all counties:

1. ***Our approach to “weaving” funding streams in support of our vision for children’s services is complex, requiring substantial additional paperwork to assure compliance with applicable Federal and State policy.***

Services to children in Santa Barbara County rely on multiple funding streams. We find, for example, that many children are concurrently eligible for MediCal, TANF, and Title IV-E. Sorting out which funding stream should pay for which component of the service plan requires considerable discipline.

Despite the additional effort required to access multiple funding streams, this approach enables us to more completely respond to the needs of children than would be possible were we to rely solely on the State’s child welfare allocation.

2. ***Children’s services would benefit were counties afforded the full flexibility of Federal policy accompanied by strong State oversight and monitoring.***

Although Santa Barbara County has benefited greatly from our designation by the State Department of Social Services as a “pilot” for Title IV-E pre-placement prevention, children’s services in other counties would benefit from similar treatment.

Having had recent experience where counties have pushed “beyond the edge of the envelope” and resulted in Federal audit exceptions,<sup>3</sup> the State is understandably reluctant to expose itself to similar experiences in the future.

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<sup>3</sup> The Federal disallowance associated with S.B. 910 is a good example.

As noted above, Santa Barbara County has taken special steps to assure that its expenditures are in full compliance with applicable Federal policy. I feel that it is important that all counties exercise similar discipline to assure that no claims for FFP are disallowed. Past experience suggests that the disallowance of claims for some counties result in a retrenchment of Federal funding for all counties.

For this reason, I recommend that the State require counties to submit appropriate plans and protocols comparable to ours in order to minimize the risk of Federal disallowance.

Should the State feel that it does not have the staff resources to properly oversee the expanded program, the State may also wish to levy a “monitoring fee” (i.e., a small percentage of additional Federal claims at no new State expenditure) in order to finance the costs associated with additional efforts to assure the integrity of county claims.

3. ***It would seem like a perfect time for the State to fundamentally rethink its use of Federal funding streams.***

The State’s financing of children’s services is premised upon assumptions that, though once valid, need to be revisited. The unprecedented fiscal stress that confronts us creates a perfect opportunity to challenge the assumptions that drive the State’s funding for child welfare services.

The clearest example of this is in the State’s use of TANF funding. When TANF funding was plentiful, it made sense to use those funds to support a wide array of children’s services. Now that TANF funding is more precious, it makes sense to explore alternative funding streams.

We have identified for the State several areas of children’s services where Title IV-E may be the more appropriate funding stream now that TANF funds are scarce.

The refinancing of children’s services will require imagination. In some cases a three-way swap of funding streams may be required (e.g., using Title IV-E instead of TANF, using the “freed-up” TANF funding to support other services that are wholly funded by the State or counties, and using a portion of the “freed-up” general funds to meet the matching requirements under Title IV-E).

Again, this is not just a matter of securing additional Federal funds. Indeed, we have a once in a generation opportunity to realign funding to support our vision of child welfare services.

Perhaps the clearest vision for these services is reflected in the work of the Stakeholder's group.<sup>4</sup> A consistent theme from the Stakeholder's group has been to place increased emphasis on preventive services, in collaboration with community-based organizations.

Having been an active member of the Stakeholder's group, I am confident that the refinancing strategies that we have implemented in Santa Barbara County would go far toward making that vision a reality.

Thank you for your time and interest. I will be please to respond to any questions you may have.

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<sup>4</sup>The conceptual design prepared by the Stakeholder's group may be viewed at [www.dss.cahwnet.gov/cws/pdf/progrpt2002.pdf](http://www.dss.cahwnet.gov/cws/pdf/progrpt2002.pdf)

# ATTACHMENT

## Scope of Title IV-E

Enacted by the Adoption Assistance and Child Welfare Act of 1980, Title IV-E of the Social Security Act authorizes Federal Financial Participation (FFP)<sup>1</sup> for services related to children who either are eligible for AFDC or would have been eligible for AFDC had they applied.<sup>2</sup>

FFP is available under Title IV-E for three categories of expenditures.

1. **Maintenance** - defined as the costs of room, board, supervision, and a proportionate share of overhead (“indirect”) costs associated with services for eligible children. Title IV-E also provides FFP for adoption subsidies for children with special needs. Federal funding for these costs is available without a limit at the rate of the State’s Federal Medical Assistance Percentage (FMAP). In California, the current FMAP rate is 51.4%.
2. **Training** – defined as the costs associated with training personnel employed by, or preparing for employment by CDSS or a local department of social services. Title IV-E also provides FFP for the costs of short-term training for current or prospective foster or adoptive parents and staff of licensed or approved child care institutions providing foster care. The rate of FFP for authorized training activities is 75%.
3. **Administration** – defined as costs that are “necessary for the proper and efficient administration” of the Title IV-E program. FFP at the rate of 50% is authorized for specific activities defined as “administration.” These activities include:
  - eligibility determination and redetermination,
  - fair hearings and appeals,
  - referral to services,
  - preparation for and participation in judicial determinations,
  - placement of the child,
  - development of the case plan,
  - case reviews,

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<sup>1</sup> “FFP” refers to the percentage of total costs that will be paid by the Federal government. There is no dollar limit to the amount of Title IV-E funding that states can claim.

<sup>2</sup>To be eligible for most services under Title IV-E, a formal eligibility determination must be made. This eligibility process must be performed by a local department of social services and mirrors the application for cash assistance that a family would have made for welfare in 1996, prior to the enactment of TANF.

- case management and supervision,
- recruitment and licensing of foster homes and institutions,
- rate setting,
- costs related to data collection and reporting, and
- a proportionate share of related agency overhead.<sup>3</sup>

Title IV-E specifically does not provide FFP for the costs of social services provided to the child, the child's family or foster family that provide counseling or treatment to ameliorate or remedy personal problems, behaviors, or home conditions. We rely on MediCal, Healthy Families, and TANF to fund these services.

### Changing Nature of Title IV-E

HHS has traditionally defined the allowable uses of Title IV-E funding in very narrow terms. In 1987, however, the State of Missouri challenged HHS before the Departmental Appeals Board (DAB). In its appeal Missouri argued that restricting Title IV-E funding to the costs associated with children who are already in foster care was inconsistent with the thrust of P.L. 96-272: to prevent children from coming into (and remaining in) foster care.

The DAB agreed with Missouri's position and ordered HHS to change its policies to allow Title IV-E funds to be used to support of the administrative costs associated with pre-placement prevention activities on behalf of children who are "reasonable candidates" for foster care.<sup>4</sup>

The DAB decision and subsequent HHS policy announcements stipulate that a reasonable candidate is a child who meets one of three criteria:

1. the child has been found eligible for Title IV-E; or
2. there is evidence of court proceedings in relation to the removal of the child from the home; or
3. there is a defined case plan that clearly indicates that, absent effective preventive services, foster care is the planned arrangement for the child.<sup>5</sup>

The Departmental Appeals Board recently issued a decision that disallowed more than \$5.8 million in Federal funding Title IV-E administrative costs incurred by the

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<sup>3</sup> See 45 CFR 1356.60.

<sup>4</sup> DAB Decision #844, March 2, 1987.

<sup>5</sup> ACYF-PA-87-05.

State of Missouri.<sup>6</sup> Missouri had argued, unsuccessfully, that the mere presence of risk factors (e.g., parental alcoholism, domestic violence, teen pregnancy or birth, mental or physical illness, disability, or unemployment) established the child as a “reasonable candidate.” The Board had earlier ruled that reports of child abuse or neglect did not, in themselves, establish the child as a “reasonable candidate.”

On July 3, 2001, HHS issued a “policy clarification” designed to restrict the ability of states to claim reimbursement for administrative activities (including case management) related to pre-placement prevention.<sup>7</sup> Although this Policy Announcement is under challenge by several states, we have voluntarily chosen to comply with its provisions in order to “audit-proof” our claims.

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<sup>6</sup> DAB Decision #1783, August 29, 2001.

<sup>7</sup> ACYF-CB-PA-01-02.