HOUSE BILL REPORT
SHB 2263

As Passed House:
February 13, 2012

Title: An act relating to reinvesting savings resulting from improved outcomes in the child welfare system.

Brief Description: Reinvesting savings resulting from changes in the child welfare system.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Kagi, Walsh, Carlyle, Ladenburg, Darneille, Goodman, Fitzgibbon, Jinkins, Roberts, Ryu and Kenney).

Brief History:
Committee Activity:
Ways & Means: 1/23/12, 2/7/12 [DPS].
Floor Activity:
Passed House: 2/13/12, 59-38.

Brief Summary of Substitute Bill

- Creates a Child and Family Reinvestment Account (Account) to be used to achieve certain outcomes.
- Directs the Department of Social and Health Services Children's Administration (Department) to develop a methodology for calculating savings resulting from decreases in foster care caseload and per capita costs.
- Requires the Department to report the methodology to the Legislature by December 1, 2012.
- Requires the Department to utilize the methodology and calculate savings based on actual foster care caseload and per capita expenditures at the end of each fiscal year beginning with fiscal year 2014.
- Requires the State Treasurer to transfer the amount of State General Fund savings calculated by the Department pursuant to the methodology into the Account.
- Specifies that the savings are not subject to the Savings Incentive Account process and the amounts transferred are not subject to the calculations for the expenditure limit.

- Requires the Joint Legislative Audit Review Committee to conduct a sunset review.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

Staff: Melissa Palmer (786-7388).

Background:

The Department of Social and Health Services Children's Administration (Department) operates Child Protective Services that responds to reports of child abuse or neglect. The Department also operates the foster care system for children who are in out-of-home placements with caregivers and the adoption support program for children who have been adopted. Additionally, the Department contracts with multiple private providers for the purchase of various child welfare services, including: individual and group counseling or therapy; group care and behavioral health services; assessments; reunification services; and adoption services.

<u>Foster Care Budgeting</u>.
Budgeting for the foster care costs includes the use of information developed by the Caseload Forecast Council and expenditure data to develop per capita cost estimates. The appropriations for foster care are increased or reduced depending on the forecasted caseload and per capita costs for certain services related to out-of-home care placements. When the foster care caseloads or per capita costs decline, the corresponding state and federal amounts from reduced caseloads are decreased from the Department's budget. The caseload and per capita changes for foster care are adjusted in the maintenance level of the budget.

<u>Title IV-E Federal Funding and Demonstration Waivers</u>.
The federal foster care program is authorized by Title IV-E of the Social Security Act with specific eligibility requirements and fixed allowable uses of funds, as set by the federal government. Funding is awarded by formula as an open-ended entitlement grant and is contingent upon an approved Title IV-E plan to administer or supervise the administration of the program. Generally, funds are available for monthly maintenance payments for the daily care and supervision of eligible children in out-of-home care; certain services for eligible children; administrative costs to manage the program; training of staff and foster care providers; recruitment of foster parents; and costs related to the design, implementation, and

operation of a statewide data collection system. States are required to match the Title IV-E funds with state funds; Washington's federal financial participation rate is 50 percent in federal fiscal year 2012.

A state's Title IV-E claims can increase as the number of children in foster care increases. However, the opposite also occurs: a state's IV-E claims can decrease as its foster care populations decline. Without a waiver, Title IV-E funding cannot be used for prevention services or for services after a family has reunified in order to ensure that the reunification is a safe and permanent one.

The Child and Family Services Improvement and Innovation Act authorized the federal Secretary of Health and Human Services to approve up to 10 new child welfare demonstration projects per year, for federal fiscal years 2012-2014, not to last more than five years. The states selected for these demonstration projects must identify one or more specific goals pertaining to increased permanency, reducing time in out-of-home care, and maintaining children safely in their homes.

The Department has convened a workgroup statewide advisory committee to make recommendations to the Children's Administration about the content of the waiver application. The Department plans to submit a completed waiver application by the end of June 2012.

<u>Reinvestment of Foster Care Savings</u>.
Pursuant to Chapter 520, 2009 Laws (Second Substitute House Bill 2106), in February 2011 the Office of Financial Management, working with the Caseload Forecast Council and the Department, released a report to the Legislature regarding reinvesting savings from reduced foster care caseloads into services to prevent the need for, or reduce the duration of, foster care placements. The report recommended a foster care reinvestment approach where savings would only be available to reinvest if there were statewide savings in the foster care caseload for a fiscal year.

The Joint Legislative Audit Review Committee (JLARC) conducts sunset reviews, which assess the effectiveness and performance of a program or agency. The JLARC sunset reviews include a recommendation to either retain the program or agency as-is, modify the program or agency, or allow the program or agency to terminate.

Summary of Substitute Bill:

The Child and Family Reinvestment Account (Account) is created and may be used to: (1) safely reduce entries and prevent re-entry; (2) safely increase reunifications; (3) achieve permanency for children unable to reunify; and (4) improve outcomes for youth who age out of care. Revenues to the Account consist of savings from reductions in the foster care caseload and per capita costs and other public or private funds.

The Department of Social and Health Services Children's Administration (Department), in collaboration with the Office of Financial Management (OFM) and the Caseload Forecast Council, must develop a methodology for calculating state savings for deposit into the Account for the 2013-15 biennium. The methodology must include any relevant provision of a federal Title IV-E demonstration waiver. If the state does not receive a waiver, the methodology must use the appropriated funding for foster care in state fiscal year 2013 as the baseline and maintain that baseline for five years. The savings calculation must be based on actual caseload and per capita expenditures.

The Department must report to the Legislature by December 1, 2012, and the methodology is deemed approved unless the Legislature enacts legislation to modify or reject it. Once the savings methodology is established, the Department must use it at the end of each fiscal year to calculate State General Fund savings to be transferred to the Account by the State Treasurer. The Department must report the savings to the Legislature and the OFM.

Nothing prohibits the Caseload Forecast Council from forecasting the foster care caseload or the Department from including maintenance funding in its budget submittal for caseload costs that exceed the baseline. The savings calculated by the Department are not subject to the Savings Incentive Account process. The transfers into the Account are not subject to calculations for the expenditure limit. The Joint Legislative Audit Review Committee must conduct a sunset review of the bill.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The funding incentives for foster care are perverse. If a child is placed in foster care, the federal government will reimburse the state and the funding is part of the state's maintenance level funding. If a state is successful in keeping a child out of foster care, which takes services and support at the front end, the state does not get reimbursement. In fact, because the state has been successful in reducing the licensed foster care caseload between 2008 and 2011, the caseload declined by nearly 18 percent. The state did not receive $2.7 million of federal dollars and $8 million of state dollars as a result of the caseload decline. The state loss of funding is greater than the federal loss. This results in fewer resources available for keeping children safely in their home. Washington convinced Congressman McDermott to sponsor a bill to reauthorize federal waiver authority. Under a waiver, the funding level is set at an agreed upon level. If the state is able to reduce caseloads, the state is able to reinvest those savings into other services. States with waivers have seen dramatic reduction in caseloads. When resources are taken out of the system, caseloads will increase. Adoption is separate because adoption is permanency for children that the state was unable to keep out of the foster care system. There are a number of approaches to reduce the caseload, one is to prevent entry, and another is to decrease length-of-stay in foster care.

The Office of Financial Management report recommended that adoption payments be excluded from reinvestment calculations, because otherwise there could be a disincentive for adoptions. This bill is good policy but there are other suggestions to consider, such as making the bill contingent upon receiving a Title IV-E waiver, flexibility to reset the baseline, and capping the amount available for reinvestment.

The Office of Public Defense endorses this bill because currently any child welfare savings are absorbed in the General Fund. The Parents Representation Program, which started out as a pilot and is now in 25 counties, has been evaluated and showed positive outcomes. One-third of the state does not have a Parent's Representation Program. The reinvestment mechanism would enable funding programs like Parent's Representation Program, which are proven to work. The Washington Federation of State Employees is in support of this bill because it sets up a mechanism for reinvesting funding into services. Some programs that are effective have been defunded and this bill is a step in getting those programs back. We have been talking for quite some time about the need for flexibility in the child welfare system. This will enable us to provide the right services at the right time.

(Opposed) None.

Persons Testifying: Representative Kagi, prime sponsor; Carole Holland, Office of Financial Management; Joanne Moore, Office of Public Defense; Alia Griffing, Washington Federation of State Employees; and Laurie Lippold, Children's Home Society of Washington.

Persons Signed In To Testify But Not Testifying: None.