Alameda County's Financial Management of Title II-E Waiver Funding: Efforts to Simplify Funding Administration and Facilitate Improved Program Outcomes

Celia Pedroza

EXECUTIVE SUMMARY

The federal government provides states and counties the ability to more flexibly utilize Title IV-E funding through waiver demonstration projects intended to improve outcomes for families in, or at risk of entering, the child welfare system. In return for the additional flexibility, waiver participants commit to managing costs within a fixed allocation and adhering to other changes to the funding parameters. San Francisco County opted to participate in the waiver project for the first time starting in October 2014. To aid San Francisco County in the development of its financial structure for managing Title IV-E funds under the waiver, Alameda County (AC) was selected as the subject of this case study. Having already participated in the initial waiver project for over seven years, AC has developed insight on the challenges surrounding the management of these funds and in many cases established strategies to simplify the administration of this funding to facilitate the achievement of the project's overall objectives. In particular, this study identifies and recommends the following strategies for San Francisco County:

- Integrate funding parameters within existing financial data systems and invoicing processes, rather than develop new, separate systems;
- Enhance reporting and monitoring efforts to make tools meaningful to various stakeholders, and become more helpful for longer-term planning;
- Commit resources to project coordination and program evaluation; and
- Adopt a simple, consistent message about the purpose of the waiver investment funds.

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Introduction

The California Well-Being—or Title IV-E Waiver Demonstration—Project, presents an opportunity for counties to utilize federal Title IV-E funding in a more flexible way to improve outcomes for children and families who have entered, or are at risk of entering, the child welfare system. Title IV-E funding, one of the primary funding sources for child welfare systems, is traditionally restricted to supporting the essential costs associated with maintaining federally eligible children who have been removed from their homes due to allegations of abuse or neglect.[1] These costs include items such as monthly board and care payments to individuals or organizations caring for foster children; personnel and associated overhead expenses for workers who manage foster care cases and determine a child's eligibility for federal funding; social worker training; and, financial support to families that eventually adopt children when family reunification is not possible. While this focus of federal funding reflects the public's interest in caring for vulnerable children, its sole emphasis on supporting a system for removing children creates an incentive to overutilize this intervention strategy than than use less disruptive, preventative measures.

The federal government allows states to seek a waiver from Title IV-E funding restrictions in order to implement alternative financing and programmatic strategies to improve outcomes for children in the areas of safety, permanency, and well-being.[2] In 2007, California obtained a waiver, with Alameda County being one of two counties participating in the demonstration project. In 2014, the state obtained a five-year project extension and expanded the project to include an additional seven counties. Given its multiple years of experience participating in the waiver project, Alameda County was selected as the focus of this case study. Its financial management structure was reviewed to obtain insight on key strategies that a new participating county—such as San Francisco—could adopt to ease the administration of this funding and facilitate the achievement of the project's overall objectives.

San Francisco County Opts In

Over the past decade, the San Francisco Human Services Agency (SF-HSA) has experienced a decline in its overall rate of foster care admissions; however, a comparison of data from other counties with similar demographics and across age groups within the county, suggests there is room for improvement in the areas of admissions, readmissions, and duration

1 Under Title IV-E of the Social Security Act, the federal government contributes toward the cost of care for foster children whose families meet income eligibility requirements under the Aid to Families with Dependent Children program.

2 Children's Bureau, Child Welfare Waivers, April 15, 2015, http://www.acf.hhs.gov/programs/cb/programs/child-welfare-waivers

TABLE 1
Comparison of foster care measures suggests SF-HSA could make improvements.*

Foster Care Measure	San Francisco	Comparison Count(ies)
2103 **Admission Rate** per 1,000 children (first entries)	2.2	1.8
Infants (under 1 year)	7.9	–
13-17 year olds	1.5	0.6
Readmission rate as % of admits	3%	2%
Readmission rate within 1 year as % of admits	3%	2%
2009-2011 **Duration Rates (days)**		
Infants in family based care	522	426
1 to 11 year olds in family based care	453	391
12-17 year olds in family based care	461	357
12-17 year olds in congregate care	525	65

* Lery, Bridgette. San Francisco Title IV-E Waiver Assessment: Problem, Utilization, Interventions, and Outcomes. July 30, 2014.

of time in foster care. *Table 1* highlights the major areas of difference that influenced San Francisco's decision to explore changes.

To test the possibility of improvement, San Francisco County opted in 2014 to participate in California's expanded waiver demonstration project. By participating, SF-HSA will capitalize on the additional flexibility to fund expanded visitation and wraparound services for families, coaching for social workers to integrate the Safety Organized Practice model into their day-to-day work to engage families, and several other infrastructural improvements still being explored by the agency. Through these interventions, SF-HSA expects to reduce admissions, particularly of infants and older foster youth, and the duration of time in care for foster youth of all ages.

Title IV-E Waiver Provides Flexibility, but Requires Internal Adjustments

Since its decision to participate, SF-HSA has been working to restructure its financial accounting and management processes to accommodate the new funding terms negotiated with the federal government. Under the waiver, the Title IV-E funding parameters are modified in part to shift focus to prevention services and broaden eligibility to previously ineligible children, meanwhile minimizing any additional financial risk to the federal government. Waiver participants receive additional flexibility in exchange for their commitment to manage costs within a capped allocation of federal funds. Within the five-year period, however, counties are allowed to reinvest savings they achieve—either from the successful implementation of new prevention measures that reduce the need for foster care or other areas of programmatic under-spending—back into the child welfare system. The new funding terms are further detailed in the comparison in *Table 2*.

From a financial perspective, these changes require participating counties to adapt to a fixed funding source; manage funds over a longer timeframe; and re-categorize certain services from unallowable to allowable, and in versus out of the waiver project.

Key Elements of Alameda County's Financial Management Structure for San Francisco's Consideration

In 2007, Alameda County (AC) took the groundbreaking step to participate in California's first Title IV-E waiver project. It expanded and added over 35 programs on top of its existing child welfare system, creating an overall portfolio of services averaging $135M annually (federal and non-federal funding

TABLE 2
Comparison of major funding terms under Title IV-E

Funding Parameter	Under Title IV-E	Under Title IV-E Waiver**
Funding Limits	Uncapped funding source	Capped at an amount equal to a base period of expenditures, adjusted for growth annually
Sharing ratio	50% Fed : 50% County, with exceptions for certain training and data system costs	50% Fed : 50% County
Funding period	12 month, fiscal year period	5-year period
Target population	All federally eligible foster children, ages 0-21	Children ages 0-17, who are currently in out-of-home placement or who are at risk of entering or re-entering foster care. (Older youth subject to original Title IV-E terms)
Allowable services	Services to support the child welfare system infrastructure (e.g. foster care provider payments, eligibility determination, social worker case management, licensing, adoptions, training, and data systems)	Foster care provider payments, eligibility determination, social worker case management, and services to prevent children's entry into child welfare (Remaining services subject to original Title IV-E terms)

** Title IV-E California Well-Being Project Terms and Conditions. March 30, 2015. http://www.childsworld.ca.gov/res/TitleIV-E/Terms_and_Conditions.pdf

sources) over the term of the initial waiver (2007-2011).[3] It successfully reduced its admissions to foster care; increased the placement of children with relative caregivers, adoptive families, and guardians; enhanced services for foster youth; and addressed issues of disproportionality.[4] These accomplishments were possible through intra-agency and interagency coordination between various program and finance representatives from the Alameda County Social Services Agency (AC-SSA), Probation Department (AC-PD), Behavioral Health Care Services, and Casey Family Programs. Several characteristics about the structure Alameda County established are worth noting for San Francisco County's consideration as it embarks on the financial management of its Title IV-E waiver project.

Integration of funding parameters within existing financial data systems – The AC-SSA Finance Unit utilizes several data systems and funding models to manage its Title IV-E project funding in conjunction with the management of the rest of the agency budget. Rather than establish a separate system to manage Title IV-E waiver dollars, staff extracts data from existing systems to perform independent analyses, monitor expenditures, and prepare summary reports on the financial status of the project. Each quarter, a financial analyst spends approximately 10-15% of her time forecasting overall Children and Families Services Department expenditures (including those subject to the waiver) by completing a comprehensive review of expenditures to date, prior year billing trends, pending invoices, and programmatic or organizational changes reported by contract managers during informal check-ins and program staff during senior management meetings.

Similar to San Francisco, the unit struggles with system limitations that prevent an accurate delineation of expenditures for claiming purposes, and

3 California Department of Social Services, Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project: Semi Annual Progress Report, Reporting Period January 1, 2014 to September30, 213. Appendix A. pages 54-55.

4 Love, Michelle; Hermann, Gayle; and Martinez, Kathy. September 29, 2014. Title IV-E Waiver Update, Social Services Committee.

consequently refines its system data by executing manual adjustments. In a few instances, the agency incorporates program data (such as caseload distribution) into contractor invoices for accountants to use to determine how to post charges in AC's accounting system, which streamlines the claiming process and creates documentation that, according to AC-SSA Finance Unit staff, is commended by outside auditors.

Recommendations

- AC-SSA's budget system features additional functionality not currently available in San Francisco County, such as the ability to view detailed line items budgets alongside actual expenditure data and the ability to extract a detailed report containing information on multiple years in one document. It is not recommended that such a system be implemented merely for the sake of managing the waiver funds. The demonstration project is for a limited time and vulnerable to across-the-board claiming and reporting changes at the state's discretion (as Alameda experienced during this expansion). However, as SF-HSA implements its plan to expand its overall fiscal forecasting efforts, such functionality should be considered whether through modifications to its existing systems or alternatives. Based on AC-SSA's experience, developing a stand-alone system using an outside contractor would cost roughly $240k to develop and $90k annually to maintain, and take approximately one year to implement.
- SF-HSA should implement similar invoicing strategies for carving out costs within contractor invoices, in particular, to separate services provided to minor and non-minor dependents. This no-cost strategy is already used for certain contracts involving multiple funding sources, but could be expanded given the new funding parameters under the waiver. Budget and Fiscal staff should identify contracts impacted by the waiver and work with Agency Contract Managers to develop a plan to communicate updated invoicing instructions to contractors. While this process will require additional coordination at the outset, it will save time at other points of the year by reducing confusion, creating a standardized approach to separating out costs, and streamlining the claiming process.

Enhanced reporting and monitoring efforts – The AC-SSA Finance Unit is currently revamping its management of financial reports to better meet user needs. Prior reports contained actual and projected data on revenue and expenditures broken out by each fiscal year of the waiver. Under expenditures, information was provided for administration, assistance payments, and each new intervention made possible under the waiver. Prior summary reports were shared with various internal and external stakeholders on a regular basis, but AC-SSA Finance staff sensed that they were primarily used by their unit. Under the waiver expansion, the unit has streamlined its reports to focus on current year data, with prior year surpluses incorporated as a revenue source. In order to tie the information contained in the reports more closely with programmatic objectives, the unit will adopt intervention titles similar to those used by program staff, and will start clustering the services by outcome objective to better enable a side by side view of the level of investment and pace of spending against dashboard reports that track program performance. The AC-SSA Finance Unit has also prepared a high-level report that calculates the level of revenue AC would receive with and without the waiver in the event the waiver is ever discontinued and the federal government attempts to recoup excess revenue.

Recommendations

- San Francisco Fiscal and Budget staff should incorporate similar efforts to align financial with programmatic data into its management reports. Fiscal, Budget, and Program staff should jointly review current report formats, agree on program titles, and categorize them according to service objective. These reports should be reviewed in conjunction with dashboard reports to help target areas of investment that are not achieving the expected outcomes.

- Fiscal and Budget staff should maintain financial reports containing multi-year data and an ongoing assessment of the county's level of Title IV-E revenue with and without the waiver. These types of reports, once developed, will not take a lot of time to maintain and will serve as key reference documents when fielding questions about the agency's involvement in the waiver and justifying that decision to internal and external policy makers.

Commitment to coordination and evaluation – In its implementation of the Title IV-E waiver project, AC has prioritized the coordination and evaluation of funded services. It established an interagency Waiver Executive Team (WET), made up of representatives from AC-SSA, AC-PD, Behavioral Health Care Services, and Casey Family Services, to convene programmatic, financial, and evaluation experts to oversee the implementation of the project. The WET established overarching objectives to guide initial, as well as subsequent, decisions to continue, discontinue, or modify funding.[5] It further developed a formal structure for reviewing funding proposals that require the funding applicant to submit a written proposal and orally present its request before the committee.

Midway through the waiver period, AC-SSA hired four internal evaluators to assess the program and cost effectiveness of its new or expanded child welfare interventions, and one project coordinator to manage internal and external reporting, and serve as the lead point of contact on state matters. With this level of resources, AC-SSA has been able to evaluate, or is in the process of evaluating, each of its 35+ interventions. According to Program staff, the information gleaned from these evaluations has been critical to determine where to continue, scale back, and end funding, and to justify those actions when questioned by Board and community members

Committees of this size and breadth in terms of scope, however, face challenges. Regular meetings are difficult to schedule and the tendency for departments to concentrate programmatic knowledge within one person can make it difficult for substitutes or replacements to actively engage immediately upon stepping into their new role at the table. In some instances, participants can lose sight of their role or even the purpose of the scheduled meetings.

Recommendations

- San Francisco's Waiver Executive Committee should establish and adhere to overarching project goals, and require an evaluation component for each new intervention. Both measures can be used to guide funding decisions, instill accountability for the use of these public funds, and better ensure objectives are achieved to improve the safety, permanency, and well-being of at-risk children. Since the state has committed to evaluating a select group of interventions jointly implemented among all waiver-participating counties, San Francisco's investment in evaluation staff would not be as great as in Alameda County. The actual cost of evaluation staff would hinge on the number of interventions implemented in San Francisco; however, based on Alameda County's approach, one evaluator would be sufficient to evaluate between 9-10 interventions at a total salary and fringe cost of $150k.[6] If a lower number of interventions are pursued, the agency could alternatively consider redirecting existing planning staff and/or supplementing that staff with outside consultant services.
- The San Francisco Executive Waiver Team should establish and document the members' roles and the group's purpose. Each represented agency should commit to broadening its knowledge base within its organization beyond just the key individuals tasked as leads. Action steps from prior meetings should be recorded at each

5 Love, Michelle; Hermann, Gayle; and Martinez, Kathy. September 29, 2014. Title IV-E Waiver Update, Social Services Committee.

6 This cost assumes the use of a Senior Administrative Analyst classification to meet this need, which is consistent with other uses of this classification level at SF-HSA.

meeting and accessible to members. Having a repository of this basic information will better enable the group to maintain its momentum when staff transition to new assignments, new employment, or simply have meeting conflicts. This task can be assigned to the Title IV-E waiver position currently requested by HSA in FY15-16's budget. In the event the position is not approved, the task can be rotated across meeting participants to share workload.

Adoption of a simple, consistent message to preserve funds for its intended purpose – In the initial years of the waiver, AC accumulated a significant amount of savings (which grew as high as $43M in FY10/11) due to common ramp up issues such as program planning, internal staffing changes, and lengthy contracting processes. Even though those surpluses occurred when AC faced sizeable budget deficits, AC-SSA was successful in preserving that funding by communicating a consistent and clear message about what the funding means for at-risk families and children, and that the funds must be reinvested in child welfare.

Recommendation

- SF-HSA's Executive Waiver team should adopt a similar, simple message that waiver investment savings are intended solely for child welfare services. Making this commitment would not prohibit the Executive Team from investing in non-traditional child welfare areas. Those investments could still occur so long as the intervention and waiver objectives align and the services are evaluated to ensure those objectives are achieved.

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