GOVERNOR'S SPECIAL COMMITTEE ON
WELFARE PROPERTY TAX CONTROLS
Statehouse - Room 212
Indianapolis, Indiana 46204

October 28, 1993

Governor Evan Bayh
Statehouse - Room 206
Indianapolis, Indiana 46204

Dear Governor Bayh:

Your Special Committee on Welfare Property Tax Controls met
yesterday and adopted the attached Final Report which we hereby
transmit to you for your consideration. The report is based on
findings made over two months of work by this committee and its
three task forces.

The Committee started with the premise that property taxes
for "welfare" were increasing too rapidly.

We quickly learned that the explosion in property taxes was
not for public assistance -- what most of us think of as "wel-
fare" -- but for services for abused, neglected, and delinquent
children.

And we learned that the most expensive services were the
costs of caring for children outside their own homes, especially
in institutions of one kind or another, some out of state.

And so the mission of the Committee became identifying more
cost-effective ways of financing and providing services for trou-
bled children.

The report contains five recommendations for improving finan-
cing services for troubled children designed to increase account-
ability for taxpayers' funds and make greater use of federal funds
and parental resources to pay for services.

The report contains six recommendations to improve providing
services for troubled children. These recommendations include
establishing a state-wide resource center and clearinghouse --
the Indiana Family and Children's Institute -- to assist counties
in providing the most cost-effective services for children in
need. And these recommendations emphasize better cooperation
among the agencies that provide services to children and seek
expansion of treatment opportunities so that children can get the
treatment that most closely meets their needs.
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And this report candidly acknowledges that we as a society must give greater emphasis to family preservation and preventing child abuse and neglect and juvenile delinquency and recommends dedicating 50% of the retroactive reimbursement we expect to receive under various federal programs be dedicated to prevention and family preservation programs.

While it is impossible to predict with precision at this point what the impact of these recommendations will be, I am confident that, when fully implemented, the rate of increase in property taxes for services for troubled children in the vast majority of Indiana counties will no longer be a problem. Just as important, I think we will have a system of financing and providing services for troubled children that will be greatly improved.

This report also attempts to assign specific responsibility for implementing the recommendations and establishes deadlines for doing so. It is my personal recommendation to you that, to the extent these recommendations are acceptable to you, you appoint a senior member of your policy staff to assure their implementation on the time schedule set forth in the report.

The Committee, which contained a broad, bi-partisan group of state and local government officials, adopted this report unanimously. The members of the committee and dozens of other individuals, including juvenile court judges and representatives of social services providers and consumers, deserve commendation and appreciation for their assistance in this important project.

I have appreciated the opportunity to serve as chairman of the Committee and hope our efforts meet with your satisfaction.

Sincerely yours,

Frank Sullivan, Jr.

Frank Sullivan, Jr.
Dear Governor Bayh:

Your Special Committee on Welfare Property Tax Controls has completed its work and transmits to you this Final Report. This Report is the product of three meetings of the full Committee, a total of seven meetings of three task forces of the Committee, a field hearing in Fort Wayne, and numerous additional interviews and discussions.

The Committee has found that property taxes for welfare in Indiana have been growing at unacceptably high rates. But the Committee has also found that these increases have been caused by increases in the cost of services for troubled children, not for public assistance; and that the costliest of the services for troubled children is the cost of caring for them in out-of-home residential placements, primarily in institutions.

The Committee wants to stress at the outset of this Final Report that it is not "welfare," as that term is commonly understood, which has caused the property tax crisis that the Committee has addressed. Rather, it is a society in which children are abused, neglected, and commit serious crimes, leaving (child protection caseworkers, juvenile probation caseworkers, juvenile courts, mental health facilities, schools, other social service providers, and taxpayers) to pick up the pieces. Until those underlying societal problems are solved, pressures for continually increasing expenditures for services to troubled children will remain.

As a result, the Committee has defined its mission as identifying ways in which services for troubled children and their families can be financed and provided in the most cost-effective way practicable. The Committee has developed a set of recommendations which it believes will relieve many of the pressures for increased expenditures in the short run and begin to address a number of the longer-term, societal problems.

This Committee has been assisted in its efforts by many individuals. The Committee particularly wishes to express its appreciation to the juvenile court judges of Indiana, a number of whom gave generously their time to this project, and to the Marion County "Children's Services Project," the Indiana Association of
Residential Child Care Agencies, Inc., the Association of Indiana Counties, the Taxpayers Research Association, and the Indiana Fiscal Policy Institute for their contributions and assistance.

The Committee also wishes to express its appreciation to Committee members James Hmurovich, C. Kurt Zorn, and H. Christian DeBruyn, who chaired the Committee’s three task forces, and Elizabeth Noyes, who served ably as the Committee’s staff.

PART I
INTRODUCTION

The Committee’s review of the historical data on property taxes paid for welfare and welfare expenditures shows:

-- Property taxes for "welfare" have been driving civil (non-school) property taxes upward. From 1984 to 1995, welfare levies have increased at a compound annual rate of 12.6% per year; all other civil levies have increased at a compound annual rate of 6.1%. Welfare levies now comprise 11.0% of total civil levies, compared to 6.8% in 1984.

-- Expenditures for "wards" -- referred to in this Report as "troubled children" -- have been driving welfare expenditures upward. From 1987 to 1992, expenditures from the county welfare fund wardship accounts have increased at a compound annual rate of 22.3% per year; all other county welfare fund expenditures have increased at a compound annual rate of 2.2%. Wardship accounts now comprise 78.1% of county welfare fund spending, compared to 57.9% in 1987.

-- Expenditures for institutional placements have been driving the cost of wards upward. From 1987 to 1992, expenditures from the county welfare fund wardship accounts for institutional placements have increased at a compound annual rate of 24% per year; all other wardship account expenditures have increased 18.4% per year. Expenditures for institutional placements now comprise 72.3% of wardship account expenditures, compared to 67.4% in 1987.

"Property taxes for welfare" includes property tax levies for the County Welfare Fund (CWF), hospital care for the indigent, welfare administration, medical assistance to wards, children with special health care needs, welfare bonds, and welfare loans. Because levies for CWFs have been the most rapidly growing and because they comprise approximately 67% of property taxes for welfare (including bond and loan levies), most of the Committee’s attention was given to levies for the CWF only.

The nature and funding sources for expenditures from the county welfare fund are shown on Chart 1.
The term "troubled children" refers to two categories of children:

-- **Children in Need of Services (CHINS).** These are children adjudicated "CHINS" by the county juvenile court, most often because they are in danger of continued sexual abuse, physical abuse, or neglect by a parent. The court generally relies on the advice of child protection caseworkers from the county office of the Division of Family and Children (DFC) in these matters.

-- **Delinquents.** These are children adjudicated "delinquent" by the county juvenile court because of some difficulty they have had with the criminal justice system. The court generally relies on the advice of probation caseworkers from the county probation department.

By statute, the county is responsible for the cost of services for troubled children. In most counties, the costs of services for both CHINS and delinquents are charged to the CWF.

The nature of services provided for children from the county welfare fund, together with a breakdown of those services between CHINS and delinquents, are shown on Chart II.

Approximately 4,700 CHINS and 2,700 delinquents were placed in institutions in 1992 at a cost to CWFS of $81.1 million. Approximately 13,000 children (almost all of whom were CHINS) were placed in foster homes at a cost to CWFS of $11.3 million. In 1992, $89.1 million was spent from the CWFS for all services for CHINS and $36.2 million was spent for services to delinquents. Approximately 450 of these children were placed out-of-state, 300 of whom were CHINS and 150 were delinquents.

The costs of out-of-state placements can be extremely high. On facility in Wisconsin charges between $93 per day ($24,000 per year) and $158 per day ($52,000 per year) to treat children with particular diagnoses. Another facility in Minnesota charges between $456 per day ($154,000 per year) and $633 per day ($232,000 per year) to care for children with more severe problems.

In addition to placements of CHINS and delinquents by local judges, public funds are used to finance out-of-home placements by a number of other agencies. The most important of these is the state's "5-5" program, administered by the Department of Education, which provides alternative and residential services for children who are not able to be educated in their home school districts. Historically, this program has placed children in out-of-state institutions. However, an effort to provide services in such a way as to keep children in Indiana has begun to bear fruit. In FY 1991, 75% of all 5-5 placements were out-of-state; in 1992, that percentage dropped to 56%; in 1993, the percentage dropped again to 37%.
In summary, the Committee concluded that:

-- "Welfare property taxes" pay for far more than what most people think of as "welfare." In fact, 78% of welfare property taxes in 1992 went to pay for services for troubled children.

-- The term "troubled children" is used to cover both CHINS, including children who are innocent victims of serious abuse or neglect at home, and delinquents, including children who are guilty of serious crimes. In 1992, $99.1 million was spent from the CWPS for services for CHINS and $36.2 million was spent for services to delinquents.

-- The services that are really propelling the "welfare" cost increases are the costs of placing children -- both CHINS and delinquents -- in institutions, including many out of state.

This report will make several recommendations intended to improve the current system of financing services for troubled children (Part II) and of providing those services (Part III). However, the Committee believes that in the long run we must devote our efforts to prevention and family preservation. To that end, the Committee has also included additional recommendations in Part IV.
PART II

RECOMMENDED IMPROVEMENTS IN FINANCING SERVICES FOR TROUBLED CHILDREN

Services for troubled children in most counties are paid for from the county's County Welfare Fund (CWF), which receives revenue from a number of sources, the largest of which is the property tax. Property tax revenue, in turn, consists of direct property tax payments from property owners plus transfers of primarily sales tax revenue from the state and, in some counties, county income tax revenue in the form of property tax replacement credits and homestead credits. Other major sources of CWF revenue are state automobile excise taxes, state financial institutions taxes, and federal and parental reimbursement payments.

The Committee received numerous suggestions to the effect that the funding responsibility for services for troubled children be re-allocated among various revenue sources. In particular, there is considerable interest in seeing state revenue sources pay a greater share and local revenue sources pay a smaller share. The views of the members of the Committee on this issue tend to divide along the lines of the level of government with which they are affiliated. However, most members of the Committee agree that the state is not in a position to take on substantial additional financial responsibilities without raising state-level taxes and agree that to recommend raising state-level taxes is beyond the purview of the work of the Committee.

Therefore, the Committee makes no recommendations concerning the re-allocation of funding responsibilities for services for troubled children. However, the Committee has a number of important recommendations which it believes will make the financing of services for troubled children and their families more cost-effective.

Family and Children's Fund

Because the fund from which most services for troubled children in most counties are paid is called the County Welfare Fund, there is widespread misunderstanding of the very nature of the social service problem that is driving up costs. The Committee believes that to address properly the problem of "welfare" property tax increases, it is essential that both government officials and taxpayers clearly understand that the problem is one of delivering and financing services for troubled children and their families on a more cost-effective basis, not a problem of cutting back on public assistance payments to low income people.
RECOMMENDATION #1: The Committee recommends that a new county Family and Children's Fund (FCF) be created. Each county would segregate into the FCF all expenditures for services for children adjudicated CHINS or delinquents now being paid from the CWF (or the county general fund in respect of services for children adjudicated to be delinquent in those nine counties where such services are paid for from the general fund). Revenues to the FCF would include property taxes (from a new Family and Children's levy), excise taxes, financial institution taxes, state replacement and homestead credit payments, and parental and other reimbursement in the same manner that such revenues are currently credited to the CWF. The CWF (and County Welfare Fund levy) would remain in existence and be used for expenditures for public assistance (AFDC) and other current purposes not related to services for CHINS or delinquents, in accordance with current law and practice.

Recommendation #1 will require statutory changes and changes in the rules and procedures of the State Board of Tax Commissioners. The Committee recommends that the Tax Board request that such statutory changes as are needed to implement this recommendation be adopted by the General Assembly in the legislature's 1994 session, effective for the 1995 county fiscal year, and that the Tax Board make all needed corresponding administrative changes.

In a small number of counties, services for children adjudicated to be delinquent are paid from the county general fund and services for children adjudicated to be CHINS are paid from the CWF. In connection with Recommendation #1, the Committee recommends that all such services be paid from the FCF.

The Committee recommends that the FCF be treated in the same way as the CWF for purposes of allocating any County Option Income Tax (COIT) or County Economic Development Income Tax (CEDIT) revenue.

Budgeting for the Family and Children's Fund

Creating the new FCF is unlikely to produce significant savings unless all officials who cause expenditures to be made from the FCF for services for troubled children are committed to those expenditures being made in the most cost-effective manner practicable. The Committee believes that careful and accurate budgeting for FCF expenditures is a crucial prerequisite to achieving that goal.

Under current law and practice, the director of the County Division of Family and Children (DFC) office (formerly known as the county welfare director) is responsible for preparing the budget request for the CWF and presenting that budget request to the county council. While practice varies from county to county, there is no legal requirement that anyone else at the county level be involved in the preparation or presentation of the
budget. This has meant that the county director in many situations has had to prepare a budget for services ordered for children adjudicated to be delinquent, even though the county director and county DFC office have had no involvement with these children. And even though the Indianapolis central office of DFC and its parent, the state Family and Social Services Administration (FSSA), must review and approve each county director’s budget request before it is submitted to the county, historically FSSA review has been for only compliance with certain mechanical requirements and not cost-effectiveness.

**RECOMMENDATION #2:** The Committee recommends that new budgeting requirements be established for the new Family and Children’s Fund. At a minimum, the county DFC and juvenile court (in both its adjudicatory and probation roles) should be required jointly to develop and present the annual FCF budget to the county council and to meet on a monthly basis after adoption to review expenditures against budget.

Recommendation #2 will require statutory changes and changes in the rules and procedures of the State Board of Tax Commissioners. The Committee recommends that the Tax Board request that such statutory changes as are needed to implement this recommendation be adopted by the General Assembly in its 1994 session, effective for the 1995 county fiscal year, and that the Tax Board make all needed corresponding administrative changes.

Recommendation #2 also will require that an increase in budgeting and financial planning expertise be made available to county DFC offices and county juvenile courts. The Committee recommends that, to assist counties in preparing their 1995 FCF budget requests, the Indianapolis central office of DFC and the Indiana Judicial Center intensively train county DFC and juvenile-court personnel in both budgeting and forecasting techniques and in methods of identifying more cost-effective alternatives to proposed budget items. To the extent appropriate, the state Division of Mental Health (DMH) should also be involved in such training.

**Excess Levies and Borrowing**

Under current law, annual increases in the property tax levy for the CWF are generally limited to a maximum five percent per year (except in counties where assessed valuation has grown at a rate greater than five percent per year, in which case a higher maximum applies). If a county requires a levy in excess of the maximum to meet anticipated expenses, the State Board of Tax Commissioners may grant an "excess" levy, i.e., a CWF property tax levy in excess of the maximum, but only if requested by the county council.

If the county council does not request an excess levy, the CWF levy is usually set at the maximum. During the subsequent year, if the CWF runs short, the county usually borrows money
from a financial institution or through a bond issue to pay CWF expenses. Any such borrowing requires the approval of the Tax Board. In the event the borrowing request is not approved by the County Council, the county DFC director is authorized by law to make the request of the Tax Board. The borrowing is repaid, with interest, from a special property tax levy the following year.

A similar problem sometimes arises in those counties where services for children adjudicated to be delinquent are paid from the county general fund (GF). However, because no excess levy is available for the GF, the only recourse available to a county where expenditures exceed the maximum levy is to borrow.

Both of these circumstances place the county in the position of having to borrow money to meet current operating expenses, which the Committee believes is highly undesirable. The Committee recommends that the current law with respect to excess levies and borrowing applicable to the CWF be maintained for the FCW. This procedure gives county councils the ability to avoid borrowing to meet current operating expenses if they elect to request an excess levy. The Committee also discussed, but could not reach consensus on, procedures to adopt an excess levy for the FCW when needed, even if not requested by the county council.

**Federal Reimbursement**

Reimbursement is available from the federal government for a number of services for troubled children now being financed from the CWF. While the counties and the state have made major strides in receiving federal reimbursement in the last three years, the Committee believes that even more can be done. All such federal reimbursement represents an offset to expenditures from the CWF, thereby saving local and state tax dollars.

Two major reimbursement programs are worthy of mention.

The first, Title IV-E of the federal Social Security Act, provides partial maintenance reimbursement for out-of-home placements of children who meet certain income guidelines. Maintenance costs include the actual per diem of children in foster homes and institutions. The federal financial participation rate has been 63%. County welfare funds in Indiana were reimbursed $2.9 million in IV-E maintenance reimbursement in calendar year 1991, $6.1 million in 1992, and $9.9 million during the first nine months of 1993. The IV-E program also allows for certain administrative costs to be reimbursed. The state welfare administration fund was reimbursed $1.325 million in IV-E administrative reimbursement in calendar year 1991, $10.8 million in 1992, and $14.1 million during 1993.

The second, Title IV-A of the Social Security Act, allows for reimbursement for services for most children removed from a home and placed in emergency temporary placement for up to 180 days. Title IV-A also permits reimbursement of in-home services.
necessary to maintain a child safely in the home. As with Title IV-E, reimbursement is available for both maintenance and administrative costs. The federal financial participation rate for Title IV-E has been 50%. Implementation of the IV-A program in Indiana has not yet begun.

RECOMMENDATION #2: The Committee recommends that the state and counties make aggressive efforts to take full advantage of reimbursement opportunities (including retroactive reimbursement) under the Title IV-E, Title IV-A, and any other available federal programs.

The Committee recommends that the DFC and its parent, the FSSA, and the juvenile courts structure their programs and policies so that they comply to the maximum extent practicable with the requirements of the programs under which the federal government provides reimbursement. The Committee is aware that conducting programs according to federal specifications is not always in the best interests of the state or the people intended to be served by the program. Nevertheless, given the substantial amount of federal reimbursement available to provide relief to Indiana taxpayers in this area, the Committee recommends compliance with applicable federal specifications absent a compelling reason to the contrary.

Recommendation #2 will require increased expertise and effort in identifying federal reimbursement opportunities and maximizing Indiana’s participation. The Committee recommends that DFC establish a special unit for these purposes by January 1, 1994. The Committee also recommends that, in preparation for the 1995 budget, the Indianapolis central office of DFC and the Indiana Judicial Center intensively train county DFC and juvenile court personnel to the extent necessary to assure maximum participation in federal reimbursement opportunities. To the extent appropriate, the State Division of Mental Health (DMH) should also be involved in such training. The Committee recommends that the DFC special unit and the DFC and Judicial Center, as appropriate, focus in particular on: (i) retroactive reimbursement from allowable rate recalculation for CHINS in placement from July, 1990, to March, 1991; (ii) retroactive reimbursement for services for previously unidentified eligible children during the last three years; (iii) reimbursement for services for eligible children adjudicated delinquent; (iv) reimbursement for administrative costs of probation officers’ time related to case management for eligible children; and (v) designation of institutions as reimbursement-eligible, thereby qualifying for broader reimbursement of costs.

The Committee recognizes that the state’s efforts to take advantage of Title IV-E, Title IV-A, and similar reimbursement opportunities have been very inadequate in the past and recommends that FSSA take all necessary steps to institutionalize administrative policies and procedures to secure reimbursement.
Parental Reimbursement

State law currently authorizes juvenile courts to order parental participation in the cost of services for troubled children. However, the Committee found that the practice of ordering and enforcing parental reimbursement varies greatly from county to county and even within counties. The Committee believes that requiring parents to pay for services required by their children when they are financially able to do so will not only be of financial benefit to the taxpayers but also create financial incentives for parents to take the steps necessary to keep their children at home.

RECOMMENDATION #4: The Committee recommends that standards and guidelines be established for ordering, and procedures be put in place to enforce, parental reimbursement for services provided to children adjudicated CHINS or delinquent.

The Committee believes that it would be appropriate for the Indiana Supreme Court to establish the standards and guidelines recommended by Recommendation #4 by June 30, 1994. To the extent that the Indiana Supreme Court believes that direction from the General Assembly on this subject advisable, the Committee recommends that the Supreme Court request such direction during the Legislature’s 1994 session.

Upon adoption of the standards and guidelines, the Committee recommends that the Indianapolis central office of DFC and the Indiana Judicial Center intensively train county DFC and juvenile court personnel to the extent necessary to assure compliance with the parental reimbursement standards and guidelines.

The Committee is aware that units of local government often have expertise in payment collection. The Committee recommends that the Indianapolis central office of DFC and the Indiana Judicial Center evaluate the most effective ways of assuring collection of ordered reimbursement and then work with county DFC and juvenile court personnel, respectively, to establish procedures for doing so, including the use of other governmental units by June 30, 1994. In this regard, the Committee is aware that the DFC is implementing a new system to assist county prosecutors and county clerks with child support enforcement. The Committee recommends that DFC investigate the applicability of this system to assisting with enforcement of parental reimbursement orders by June 30, 1994.

Transfer Tuition

The Committee heard testimony concerning the financial hardship to counties of transfer tuition. In this context, "transfer tuition" refers to the payments made by the county to the public school corporation where a child is receiving instruction following placement in a foster home or other placement when that school corporation is outside the school corporation of the
child's legal residence. Although many of the issues relating to transfer tuition relate to the idiosyncrasies of the public school tuition support distribution formula, under a variety of circumstances, counties are required to pay transfer tuition to the transferee school corporation even though the transferring school corporation has received regular and special education school formula support in respect of the child.

RECOMMENDATION #5: The Committee recommends that the transfer provision of the public school tuition support distribution formula be reviewed, particularly with a view to requiring the transferring school corporation to pay transfer tuition to the transferee school corporation in all cases in which a residential placement is ordered for a child outside the school corporation of the child's residence.

Recommendation #5 will require statutory changes and changes in the rules and procedures of the Department of Education (DOE). The Committee recommends that the DOE request such statutory changes as are needed to implement this recommendation be adopted by the General Assembly in the legislature's 1996 session, effective for the 1996 county fiscal year, and that the DOE make all needed corresponding administrative changes. The Committee is aware that the provisions of the statute relating to transfer tuition have not been subject to comprehensive review in many years and recommends that the DOE and the General Assembly consider undertaking such a review.
PART III

RECOMMENDED IMPROVEMENTS IN PROVIDING SERVICES FOR TROUBLED CHILDREN

It is beyond the mission of the Committee, as well as beyond the expertise of the individual members of the Committee, to critique with any degree of precision the services provided to troubled children in Indiana. However, the Committee has developed a number of specific recommendations which it believes will not only permit needed services for troubled children and their families to be delivered more cost-effectively but also improve the quality of those services.

Indiana Family and Children's Institute

The Committee has observed that, to a very large extent, the way in which services are delivered to troubled children in Indiana varies greatly from county to county. While in many respects this is positive (see "Local Inter-agency Collaboration" below), the lack of inter-county cooperation adversely affects the delivery of services for troubled children in several important respects.

For the most part, each county develops its own resource base of services — in-home and community-based programs, foster homes, and institutions — without consulting with other counties. There are some notable exceptions to this observation, e.g., the IFCI develops plans for home-based intensive programming for each of its nine multi-county districts; many counties rely on information from the Indiana Association of Residential Care Agencies, Inc. (IARC), for locating institutional placements; Marion County Superior Court Judge James Payne is credited with sharing his considerable knowledge of placement alternatives with fellow juvenile court judges. However, the Committee has a distinct sense that each county is "on its own" when it comes to developing treatment programs for troubled children and their families.

RECOMMENDATION #5: The Committee recommends that the state establish an Indiana Family and Children's Institute (IFCI) as a resource center to assist counties in developing treatment programs for troubled children and their families.

The Commission believes IFCI should have the following responsibilities.

First, the IFCI would serve as a clearinghouse for information on available treatment programs. Not only would IFCI maintain an ongoing registry of available institutional beds, it would also maintain information on in-home and other community-based programs. The idea here is that a child protection or juvenile probation caseworker, faced with a particular child or family situation, would have a contact person at the IFCI who
would be able to describe not only appropriate potential institutional placements but also ways in which other counties may be trying to deal with similar cases through in-home or other community-based services. The Committee anticipates that the work already done by IARCCA will be extremely helpful to IFCI.

Second, the IFCI would be responsible for evaluating the effectiveness of particular institutions and community-based programs. A number of officials told the Committee that such research is badly needed, that placements now are often made on the basis of general impressions of the quality of the treatment program rather than empirical data.

Third, the IFCI would monitor use of institutions by county. Many institutions care for children from a number of different counties. Because each individual county has only a small number of children at most at any one facility, its ability to affect rate and other policies at the institution is limited. Using information compiled by IFCI on the aggregate number of placements from Indiana counties, counties likely could join together in "buying cooperatives" and negotiate better rates. The Committee sees this as a particularly important part of the IFCI's work as it received many complaints of rate increases in the last several years well in excess of the rate of inflation.

Fourth, the IFCI would be responsible for facilitating the establishment of new institutions and community-based treatment programs. If the IFCI's monitoring of institutional use indicates that a number of geographically close together counties are each sending children with similar diagnoses to distant institutions, the IFCI would be responsible for convening appropriate officials from those counties to explore establishing a facility or community-based program closer to home.

The Committee recommends that the IFCI be operated jointly by FSSA and the Indiana Judicial Center with broad representation on its board reflective of the many governmental agencies and levels of government that provide services to troubled children and their families. The Committee recommends that the IFCI develop collaborative relationships with entities like the Indiana Youth Services Association and IARCCA to utilize their expertise in areas of the IFCI's mandate. The Committee recommends that FSSA and the Indiana Judicial Center request that the General Assembly establish the IFCI during the Legislature's 1994 session.

**Local Inter-agency Collaboration**

The services for troubled children and their families that have placed such a strain on County Welfare Funds are in almost all cases services for children adjudicated to be CHINS or delinquents. In general, a CHINS adjudication is made upon the recommendation of a DPC child protection caseworker and a delinquency adjudication upon the recommendation of a juvenile proba-
tion caseworker.

The Committee has been impressed with the testimony of many officials to the effect of the similarity of the problems experienced by substantial numbers of both CHINS and delinquents. As such, for many children the work of the child protection and probation caseworkers should be substantially the same.

RECOMMENDATION #7: The Committee recommends that a common diagnostic or risk assessment instrument be developed and used by all DFC child protection and juvenile probation caseworkers in Indiana and that both types of caseworkers receive the same training in case management techniques.

The Committee notes that all juvenile probation caseworkers in Indiana and the Indiana Department of Correction already use the same diagnostic or risk assessment instrument. The Committee recommends that the Indianapolis central office of DFC and the Indiana Judicial Center work together to develop such an instrument by July 1, 1994, and implement the cross-training contemplated by Recommendation #7 by that same date.

The Committee also received testimony to the effect that too close an integration of child protection and juvenile probation activities may inadvertently result in victims of child abuse or neglect being treated as though they were juvenile offenders. The Committee recommends that in all cross-training and similar activities, the importance of caseworkers making clear to victims that they have not committed any offense be stressed.

Many governmental entities are involved in providing services to troubled children and their families in addition to county DFC offices and county juvenile courts and their probation departments. Among the most important of the additional entities are community mental health centers and public schools. Substantial numbers of non-profit and a number of proprietary entities also provide services.

The Committee found that the degree of collaboration among these entities varies from county to county. In some counties, the child protection caseworkers in the county DFC office do not even work with the county juvenile probation caseworkers. In other counties, a close working relationship exists between DFC and probation but contact with mental health and education is sporadic.

The Committee read with great interest the recent report of the Indiana Youth Services Association prepared for FSSA on the work of "Local Coordinating Committees" (LCC). Under state statute, local coordinating committees review and make recommendations concerning proposed placements of children in institutions or out-of-county foster homes. Members of a child's LCC include four voting members (the county DFC director, the child's school superintendent, the county probation officer, and the
director of the community mental health center serving the child's area of residence) and one or more non-voting members (the child's parent or guardian, the child's guardian ad litem, if any, the child's court-appointed special advocate, if appointed, and representatives of the county health department and any other agency or community organization, if requested by the chairman). Most counties reported that LCCs did contribute to better placement decisions, although the method and degree to which LCCs are utilized appears to vary from county to county.

The Committee also reviewed with great interest the operation of the Family Support Center in Logansport. Organized at the impetus of Cass County Circuit Court Judge Donald E.C. Leicht, the center consolidates under one roof child protection and juvenile probation caseworkers and mental health and school system personnel. The state Criminal Justice Institute has funded a director for the Center who reports to the judge.

Finally, the Committee has noted the success of county Step Ahead Councils in planning for and coordinating educational, health, and social services for children and their families. These councils consist of representatives of virtually all entities interested or involved in providing services to children ages 0-13 years. Their success in arranging comprehensive services on a cost-effective basis is a result both of the broad range of entities involved and the fact that decisions are made at the local level.

These examples of local collaboration have led the Committee to two conclusions. First, it is extremely important to have all agencies that provide services for troubled children working together. Second, the way in which agencies work together should be decided on a county-by-county basis.

RECOMMENDATION #6: The Committee recommends that prior to April 1, 1994, the county DFC director and juvenile court in each county convene a conference in their respective counties for all agencies that provide services for troubled children and their families, other members of the County Step Ahead Council, and other interested parties for the purpose of exploring ways of improving inter-agency cooperation in providing such services.

In order to assist the county DFC directors and juvenile courts in preparing for the conferences, the Committee recommends that the Secretary of FSSA cause representatives of the Indiana Youth Services Association, the Cass County Family Support Center, DFC home-based services coordinators, community mental health centers, public schools, and FSSA's Step Ahead office to meet with a representative group of county DFC directors, juvenile courts, and Step Ahead coordinators prior to January 1, 1994, and prepare a resource guide or handbook containing suggested subject matter for discussion at the conferences.
The Committee recognizes that the degree of inter-agency collaboration possible and desirable varies greatly from county to county. The Committee believes that an appropriate degree of collaboration currently exists in some counties. The Committee is also of the view that collaboration will be extremely difficult to achieve in the two largest counties in the state because of the sheer number of agencies involved. For example, Marion County is served by four different community mental health centers and eleven different school corporations. Nevertheless, the Committee believes that the cost efficiencies and improvement in quality of services that can be introduced by greater cooperation merit at least the convening of such conferences in each county.

Additional Facilities and Post-Adjudication Case Management

The single greatest cost component in County Welfare Fund expenditures is the cost of institutional care. As a result, the greatest opportunity to reduce costs is to reduce the cost of institutional care. The Committee believes that this can be done in several ways. First, more placement opportunities will permit closer matching of a child with the least expensive appropriate placement. Second, more intensive review and management of cases following adjudication will permit removing children from unnecessarily expensive placements earlier. The Committee heard testimony to the effect that because of the "crisis" of finding an initial placement prior to adjudication, child protection and juvenile probation staff often are unable to manage post-adjudication caseloads as intensively as they consider desirable.

RECOMMENDATION #9: The Committee recommends that the state become actively involved in helping to create additional institutional placements in Indiana for troubled children.

The Committee recognizes that the state is unlikely to be in a position to create new institutions for troubled children. However, the Committee believes that certain of the special institutions operated by the State Health Department can accommodate children now being placed out of state. These special institutions are the Indiana School for the Blind, the Indiana School for the Deaf, the Soldiers’ and Sailors’ Children’s Home, and the Silvercrest Children’s Development Center. The Committee recommends that the Indianapolis office of DFC, the State Health Department, the Department of Education, and the State Budget Agency develop a plan that permits the placement by June 30, 1994, of a total of 55 children in special institutions who would otherwise be placed in out of state institutions, using the CWF or PCF resources that would have gone out of state.

The Committee has been advised that Marion County is interested in developing its own facility for troubled children. The Committee recommends that the State Department of Administration give strong consideration to the use by Marion County of Central State Hospital or other surplus state-owned property for this
RECOMMENDATION #10: The Committee recommends that increased emphasis be placed on monitoring the post-adjudication placements of troubled children so that children can be moved to less intense (and, in most cases, less expensive) placements as soon as appropriate.

The Committee is aware that juvenile courts hold "placement and jurisdiction" hearings regularly on all cases. However, the Committee believes that many cases are not reviewed between hearings to see if less intensive placements are appropriate. The Committee recommends that in the course of implementing the cross-training of caseworkers contemplated in Recommendation #7, the Indianapolis office of DFC and the Indiana Judicial Center train caseworkers to examine cases regularly for possible less intensive placements. The Committee also recommends that in the course of conducting the monthly budget reviews contemplated by Recommendation #2, the county DFC director and juvenile court give specific attention to case management action during the preceding month on those cases that are at the 90th percentile or higher in terms of per diem cost of out-of-home placement.

The actual ability to be able to "step-down" the intensity of placements will depend in large measure on the availability of expanded treatment opportunities recommended in Recommendations #9 and #11.

Mental Health

The Committee has received testimony from a number of officials to the effect that adequate treatment, including residential care, is available through community mental health centers for severely emotionally disturbed children.

RECOMMENDATION #11: The Committee recommends that the system of state support for community mental health centers be reformed so that priority is given to serving severely emotionally disturbed children, including targeting state support for services to these children and funding competing providers if local community mental health centers do not make such funding a priority.

The Committee recommends that the state Division of Mental Health (DMH) request authority to the effect described in Recommendation #11 (replacing the current "deficit" financing program) from the General Assembly when the Legislature meets in 1994. The Committee also recommends that DMH and the state office of Medicaid Policy and Planning explore the use of Medicaid financing for services for mentally ill children adjudicated CMINS or delinquent if CWF funds now paying 100% of the cost of such treatment could be used as the non-federal share of Medicaid, thereby reducing the cost to approximately 37%.
PART IV

PREVENTION AND EARLY INTERVENTION

Each of the recommendations set forth above pre-supposes the existence of Hoosier children who are abused, neglected, commit crimes, or are otherwise in need of relatively intense social services. This is a shame.

The Committee is strongly of the view that, in addition to improving the way in which services for troubled children and their families are financed and provided, the state and its counties need to make an increasing commitment to preventing the problems that result in the need for such services.

Development of a long-term prevention, early intervention, and family preservation strategy is beyond the purview of this Committee. Indeed, excellent work has been done in this regard by others. But the Committee has several final recommendations based on its observations during the course of its work.

The Committee is mindful of programs currently in place designed to help strengthen families and prevent child abuse, neglect, and juvenile crime. Examples include Step Ahead, which coordinates children and family programs in all 92 counties; Indiana Healthy Families, a pilot program emphasizing intensive training and services for parents in families at risk for child abuse or neglect; child welfare services to abused and neglected children in their own home under Title IV-B; and delinquency prevention grants to communities through the Department of Correction.

RECOMMENDATION #12: The Committee recommends that existing state programs designed to prevent child abuse and neglect and juvenile crime be coordinated with one another and with counterpart local programs and expanded when financially practicable.

The Committee recommends that the FSSA, the state Department of Health, and the state Department of Correction establish a coordinating committee by January 1, 1994 to assure that child abuse and neglect and juvenile crime prevention efforts are provided to Hoosier communities in a coordinated manner, taking into account local efforts directed at the same end. The Committee notes that counties are likely to receive substantial, one-time retroactive reimbursement for services under the federal Title IV-E and IV-A programs. The Committee recommends that 50% of federal reimbursement under Titles IV-E and IV-A for services rendered prior to 1993 (i.e., 50% of retroactive reimbursement) be dedicated for prevention, early intervention, and family preservation activities, subject to approval of the county councils during the budgeting process. This would provide each county with some "seed money" to begin focusing on prevention and family preservation.
In addition to financial support for prevention and family preservation, the Committee believes that existing entities need to modify their operations so as to be able to identify children in trouble or at risk of having trouble at the earliest possible time. Among the entities that the Committee has discussed in this regard are the courts and the public schools.

The courts provide an opportunity to spot potential problems for children in several respects -- a divorce, a paternity suit, a domestic violence charge. Once again, Cass County has taken the lead by voluntarily consolidating in a single court jurisdiction for all actions that might bear on children. Such "family courts" have also been the subject of favorable review by the Juvenile Judges Improvement Committee and the Indiana Juvenile Code Study Commission.

The Committee understands that the Indiana Juvenile Code and Youth Gang Study Commission is likely to recommend that the General Assembly authorize the creation of family courts in a number of counties on a pilot basis. The Committee endorses this concept.

Public schools also provide opportunities to spot problems. Close cooperation by school officials with the DFC and community mental health centers when warranted can help students remain in school, as can the appropriate use of alternative schools. The Committee also received testimony to the effect that students expelled from school often end up the subject of delinquency proceedings. The Committee recommends that the Department of Education develop guidelines by June 30, 1994, for school corporations when making suspension and expulsion decisions so that the likelihood of the student engaging in delinquent behavior is minimized by emphasizing coordination of suspension and expulsion decisions with agencies providing prevention and family preservation services.
The Committee believes that the recommendations set forth above, while modest and straightforward in many respects, represent important changes in Indiana's current system of financing and providing services for troubled children and their families, changes that can be implemented in short order with positive results.

The Committee hopes that the adoption of these recommendations will lead to a reduction in the rate of increase in property taxes in Indiana, an increase in the quality of services available to troubled children, and, ultimately, a reduction in the amount of child abuse, child neglect, and juvenile crime committed in our state.

Very truly yours,

Frank Sullivan Jr., Chairman
John C. Bailey, M.D.
E. Patrick Neuer
Joan S. Blackwell
Julia M. Carson
E. Christian DeBruyn
Jon DeGuilio
Robert L. Dyer
Michael E. Gery
Stephen Goldsmith
James M. Hmurovich
Charles F. Miller
Morris H. Mills
Suellen Reed
Marjorie A. Sharp
Randall T. Shepard
Samuel R. Turpin
C. Kurt Zorn
LONG TERM
OUT OF HOME PLACEMENTS OF
CHILDREN AND ADOLESCENTS
PAID FOR WITH PUBLIC FUNDS

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TOTALS: 22,398 497 4190.23 MILLION

DARS, S-5, ISDH, DMHC, MH, AND DOC data is for SFY1992-93. All other data is calendar year 1992.

* = Medicaid
** = Reflects expenditures from county welfare funds only.

TOTAL ANNUAL COST: 4190.23 MILLION
CHILDREN'S BEHAVIORAL HEALTH RESOURCE CHOICES

MOST

- HEALTH INSTITUTIONAL
- SECURE INSTITUTIONAL
- INSTITUTIONAL: SCHOOL BASED
- RESIDENTIAL MODELS
- FOSTER CARE
- INDEPENDENT LIVING
- MEDICALLY INVOLVED
- OUTPATIENT
- INTENSIVE OR IN HOME INTERVENTION
- COUNSELING/CASE MANAGEMENT
- EDUCATION/SKILL BUILDING
- PREVENTION

EXPENSE

INTENSITY

LEAST