

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Out-of-Home Care Funding Program Update

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A long-anticipated adjustment to AB 602, which provides funding for special education services, was implemented at the 2021-22 Annual Principal Apportionment (P-Annual) earlier this year. The updated P-Annual funding exhibits included prior-year adjustments and revealed increased resources for many Special Education Local Plan Areas (SELPAs) from the Out-of-Home Care (OOHC) funding program. The California Department of Education (CDE) had been awaiting certified data from state agency partners and used the data provided under current statute to allocate more than \$126 million to SELPAs on behalf of their member local educational agencies (LEAs). Current law requires all OOHC revenue to be allocated to SELPAs, and each SELPA received a proportional share of the revenue beyond OOHC category entitlements to ensure that no dollars were left unspent in the state.

As a reminder, the OOHC funding program provides revenues through the special education AB 602 formula to SELPAs for foster youth, pupils placed in the short-term residential therapeutic programs, and three other types of residential facilities. The previous funding model for OOHC was dramatically impacted by the implementation of the Continuum of Care Reform beginning in 2012, which required an end to congregate care placements in a now defunct foster youth group home system. While a resolution was developed to this unanticipated funding stream disruption, multiple State Budgets continued funding SELPAs based on data from 2016-17. (If you are interested in more information about the OOHC funding program, including history and details related to the updated funding formula, the Legislative Analyst's Office produced an excellent [overview and report](#).)

Fast forward to the 2021-22 Enacted Budget, which finally updated the OOHC funding model and ended the state's reliance on the old system's formula and data. The current statute found in Assembly Bill 130 specifies that the CDE must utilize data provided under the Data Exchange Project (DEP) with the Department of Social Services to complete OOHC calculations. Unfortunately, the DEP dataset does not include existing group homes that provide residential services for students with disabilities (SWDs) placed by regional centers. While foster youth group homes have closed, group homes serving regional center clients continue to be operational, and LEAs are actively providing special education services to these students. SWDs placed in group homes by regional centers previously generated funding based on the severity of client needs, but the new funding model does not include revenue allocation for more than 3,000 potential community care facility placements.

Based on input from SELPAs, state agencies did expand the DEP dataset to include enhanced behavior support homes, which will be included in the recertification of 2021-22 P-Annual and impacts 13 SELPAs with this home type in their geographic region. However, despite concerns raised regarding the incomplete picture of youth being served out of home, the DEP dataset used for 2021-22 OOHC funding does not include operational group homes that serve SWDs placed by regional centers.

In the creation of the new funding model, these OOHC populations were not proposed for purposeful exclusion, so it is likely that the current model continues to need adjustments to address these settings and to fund the youth who were previously recognized and funded under the old system. However, the exclusion of group home data results in shifts in revenue for SELPAs that continue to serve SWDs placed by regional centers in out-of-home care. Should the state choose to include these populations through a change to the Education Code, a future adjustment to the DEP dataset could impact OOHC funding program implementation for the 2022-23 P-Annual or could start in 2023-24.

Until we know more about any potential amendments to the current statute, LEAs and SELPAs should feel confident that the 2021-22 OOHC funding exhibits represent the most accurate dataset available to the CDE for calculations and current funding levels.