



BREAKING NEW GROUND:

**A FINANCIAL STRATEGY FOR A
GOVERNANCE PARTNERSHIP**

**How the Local Investment Commission
in Kansas City, Missouri,
Increased Its Funding for
Children and Family Services**

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CONTENTS

ABSTRACT.....1

INTRODUCTION1

THE STRATEGY.....3

DECIDING ON KANSAS CITY5

LAUNCHING THE PILOT7

Identifying Local Match.....7

Claiming School Expenses.....9

Training Participants.....10

THE DISTRIBUTION ISSUE.....11

COMPLETING THE FIRST CLAIMS12

CONCLUSION.....14

APPENDIX A.....15

NOTES.....16

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ABSTRACT

As a way of giving a local governance partnership some institutionalized core funding, Missouri piloted a financial strategy that yielded an additional \$1 million in federal funds for the benefit of Kansas City's Local INvestment Commission (LINC) in one year. Projections indicate that figure will rise to approximately \$2 million in the second year. These funds, which come from federal Title IV-E of the Social Security Act, are used by LINC and its partner community agencies to strengthen services and supports for children and families in Kansas City. This report documents how LINC successfully tapped into federal entitlement funds and describes the results of this effort to date.

INTRODUCTION

The State of Missouri is working to ensure the healthy development of its children and to enhance the economic viability and safety of its neighborhoods. As part of this agenda, the State funds 18 governance bodies called Community Partnerships. These Partnerships agree, among other things, to sponsor neighborhood/school-based initiatives that can improve results for children and families.

One of those governance partnerships is the Local INvestment Commission of Greater Kansas City, Inc. (LINC). Formed in 1991, LINC is a 36-member citizens commission of business and labor leaders and neighborhood representatives. LINC sponsors specific school-based and neighborhood initiatives at 16 sites in and around Kansas City. LINC's initiatives aim to better coordinate human services at the neighborhood level, promote

economic development, revitalize neighborhoods, improve access to health care, and ensure neighborhood safety. LINC is also involved in other city-wide efforts focused on children and families, the aged, health care, housing, welfare reform, and economic development.¹

As a governance body, LINC is well respected within its community for delivering human services and helping to shape state programs and policies. When LINC was first being formed, its leaders talked about their hope to obtain core funding from mainstream public human service funds as well as special project grants. Yet up until 1998, this hope proved elusive. Like its counterparts across the country, LINC was dependent on state grants and contracts and private funding renewable each year.

To create an ongoing, permanent funding base, the Center for the Study of Social Policy (CSSP) approached the State with a strategy for obtaining federal entitlement funds to support innovative local governance activities on behalf of children and families. CSSP's interest in this work arose from the belief that governance bodies need secure, ongoing funding rather than project grants or soft money that comes and goes. Few governance partnerships have a secure funding base. Thus, CSSP was interested in piloting a new financing strategy in one site that, if successful, could be replicated in others.

This new strategy attempts to create an institutional funding base, i.e., one that reliably draws down funds year after year even modest amounts. Such a flow of funds contrasts with boom-and-bust project grant

funding to which governance bodies are accustomed.

The strategy discussed in this paper is also unusual in not being confined to a single agency or program, as most refinancing efforts are. Typically, states try to maximize federal entitlement funds by looking at one service system at a time, e.g., their child welfare system. In contrast, the strategy developed in Missouri looks across several service systems simultaneously, including child welfare, juvenile justice, homeless shelters, and domestic violence.

THE STRATEGY

The innovative funding strategy implemented in Kansas City revolves around federal funds from Title IV-E of the Social Security Act. These funds reimburse states for allowable expenditures on behalf of abused and neglected children or those at-risk of abuse or neglect. While most state funds for child welfare are usually matched with federal dollars, as in Missouri, few localities have claimed federal match for local expenditures by public and private agencies other than traditional child welfare programs. Missouri recognized that, in fact, many agencies provided reimbursable services to the eligible target populations and, in fact, these agencies' services were often crucial to maintaining child safety and family stability. Thus, Missouri could include other local public funding beyond traditional state and county sources as reimbursable funding under Title IV-E. These local sources include city general funds, school district funds, and other local levy and tax revenues used for at-risk children and families.

This strategy was underpinned by Missouri's 1983 challenge to the federal government over what constituted "preventive" child welfare services under Title IV-E. In the appeals case won by Missouri (DAB 844), the Departmental Appeals Board found that federal matching funds should pay for the care of children still in their own homes to prevent them from being removed as opposed to only paying for the care of children after removal to foster or residential care. The federal Department of Health and Human Services subsequently issued a policy interpretation that labeled such in-home service recipients as "candidates" for foster care, identifying these children as "*at risk*" for removal from their parents "*absent effective preventive services*."²

Missouri's approach recognizes that this "at-risk" definition also applies to services provided by community agencies as well as those provided by state agencies. By contracting with local agencies, the Missouri Department of Social Services (DSS) "deputizes" such agencies to undertake certain claimable activities for at-risk children and their families. These activities and the public expenditures that pay for them are then documented and claimed for federal matching funds at the 50 percent federal financial participation (FFP) rate under Title IV-E.³

Federally approved and monitored formula grant programs commit every state human resources agency, including DDS, to "*proper and efficient administration*" as a condition of federal funding. This conditionality ensures that citizens have equitable opportunity to learn about the programs, apply, have eligibility determined promptly and fairly, and have their "cases" managed to ensure that they receive the benefits and services they need and are entitled. Such proper and efficient administration includes:

- Outreach, information, and referral;
- Taking applications and client information;
- Determining eligibility;
- Case management;
- Program planning and service coordination; and
- Activities to enhance access to services.

In effect, the federal government pays half of the cost of administering claimable Title IV-E child welfare services.⁴ Once received, these federal funds become state agency (DSS)

funds for *any* state-approved purpose-free of any federal restriction whatsoever. Such funds may, of course, be dedicated to certain purposes; e.g., some states require localities to spend these funds only on services for children and families,

This nonfederal match in most states has been limited to *state* general funds. However, federal regulations for Title IV-E funds have always allowed federal dollars to match local as well as state public funds.⁵ Where states have used local funds to claim federal Title IV-E reimbursement, the match tends to come from "traditional" county channels as opposed to other county or city/school funds for services to at-risk families.

Appendix A summarizes the critical elements needed to implement this strategy. In short, the following steps are taken:

- The State contracts with local providers to serve "*at-risk*" children, i.e., those who would be candidates for foster care "*absent effective preventive services*;
- Local public funds are used as the nonfederal match; and
- Local expenditures are certified and documented for claimable purposes.

These steps represent the strategy that Missouri implemented as a prototype in Kansas City. The remainder of this report describes the journey from concept to reality in Kansas City.

DECIDING ON KANSAS CITY

Missouri state officials first learned of the strategy to claim federal funds for local administrative expenditures on behalf of at-risk children through CSSP as part of its ongoing technical assistance to Missouri. The state officials were intrigued with the idea, but they approached with caution.⁶

Their initial concern was the effect of such a claim on the relationship of DSS with the federal agency responsible for Title IV-E. Because of claim disputes, this relationship had sometimes been rocky. Given the potential for large numbers of local claims once this process went statewide, staff needed to assess whether they had adequate manpower with which to process such claims.

State officials reviewed the policy issues, assessed the audit vulnerabilities, and debated the prudent course. They identified three questions to resolve before committing themselves to the strategy:

- (1) Would enough unmatched state and/or local funds associated with their local Community Partnerships be available to make a matching effort worthwhile?
- (2) Would the "at-risk" definition and application pose any federal disallowance vulnerability for the State?
- (3) Would the administrative burden on state or local grantees to document and support the claims be worth the effort?

State staff looked into these items over several months and found encouraging answers. First, DSS staff assessed the "at-risk"

definition of children in federal policy and determined that this administrative claiming mechanism had a firm basis in law and regulation. Second, a trial look at one community revealed that considerable local dollars could constitute a viable matching base.

After several meetings and ample discussion, state officials decided to focus the claims on their local governance boards or Community Partnerships. They did not want separate Title IV-E contracts with myriad school districts throughout the state or dozens of local family service organizations. Rather, with 18 Community Partnerships under way and more anticipated, the State intended to use these as the Title IV-E contractors and funding channels. This approach was a resolution, in part, of state fears that administrative burdens of this funding arrangement would overwhelm the limited fiscal staffing of DSS. Using Community Partnerships as Title IV-E contractors also represented a commitment to support and promote the State's multi-disciplinary, cross-program, local governance model.

The decision, however, was not without contention. Because the Community Partnerships were not public agencies, they could not claim federal reimbursement for activities supported with *private* funds. If a public agency received private funds from a foundation, for example, claims for federal reimbursement were allowed as long as the money was spent on duly allowable activities under a federally approved plan.

But Missouri officials decided to designate the Community Partnerships as the lead agency for this financing arrangement instead of a public agency because of their commitment to support local governance. They weighed the fiscal advantage of using a solely public agency against their desire to empower and

support local governance partnerships, which cut across all the public systems which serve children and families. After careful consideration, they chose the latter. State officials did not want to just subsidize local government; rather they wanted to strengthen community collaboration and local governance.⁷

CSSP's interest was in helping a local governance entity expand its activities on behalf of families and children. Thus, CSSP attempted to ensure reinvestment of any new federal funds. In other words, the goal was to increase funds available to a community governance body not to allow new funds for children and families to offset existing budgets or be used for other purposes. Typically, states receive federal Title IV-E funds and put them in the general fund for equitable allocation across counties. But CSSP was asking the State to make a commitment to reinvest any new federal funds in the locality that generated them specifically in the local governance partnership. The State DSS Director put such a commitment in writing:

“The Center for the Study of Social Policy will help the state of Missouri identify additional funding that can be used to further our community collaborative efforts. I am committed that any funds identified will be reinvested into the effort and used to build the capacity of the community collaboratives and the system serving the needs of the children and families in the community.”⁸

Because of CSSP's work in Kansas City, CSSP suggested to State staff that LINC would be a good place to pilot the financing strategy. They agreed. The State was already

heavily invested in LINC and strongly committed to enhancing its success as a local governance partnership. DSS had already assigned six of its State employees to LINC, so designating LINC as the pilot site for this effort was a logical step. The Division of Budget and Finance agreed to assign a fiscal staff person to "shadow" CSSP's technical consultant in Kansas City to learn the administrative claiming process from the ground up. Not only could the process then be replicated later in other localities, but the cost of contracting with outsiders in the future was also avoided.

Having already established a desire to obtain core funding for its operations, LINC viewed this financing project as an important opportunity and readily agreed to participate. In March 1997, the Missouri Department of Social Services contracted with LINC, which in turn contracted with CSSP for 40 days of training and technical assistance to implement the new funding strategy.⁹

LAUNCHING THE PILOT

Identifying Local Match

In March 1997, CSSP deployed Norm Zimlich as its training/technical assistance contractor to begin work in Kansas City.¹⁰ Several key decisions were made at the outset: (1) the first quarterly Title IV-E claim would be for the April-June 1997 quarter, an extremely ambitious schedule; (2) the City, the County, and four school districts in and near Kansas City would be invited to participate in the project; (3) only Title IV-E, not Medicaid, would be included in the LINC claims; and (4) the initial claiming priority would be for nonschool agencies, with schools to follow later. The last two decisions were made because Missouri already claims federal Medicaid funds for many of its school-based administrative costs, so any new Title IV-E funds would have to be carefully integrated with these pre-existing Medicaid claims.

LINC also agreed to share the proceeds of this work with the participating local provider agencies and with the State to defray its administrative costs. Although no figures were given in the early stages especially since even initial estimates of potential funding were not yet made the principle of sharing the proceeds was established at the outset to encourage participation.

A series of meetings was held with city and county staff, private provider agencies, the University of Missouri Extension program in Jackson County, and the four school districts. By definition, the refinancing strategy depended on finding unmatched local public expenditures, and these entities were the obvious sources. The purpose of these meetings was to search for grantees or contractors of the public agencies who (a) were engaged in children or family programs,

(b) had staff engaged in case management-type activities, (c) were serving eligible families with eligible services, and (d) were funded with public funds.

A key meeting was held with the Kansas City Assistant Director of the Neighborhood and Community Services Department and the Legislative Auditor (Chief Fiscal Officer) for Jackson County. These two officials immediately saw value in the strategy. According to Mr. Zimlich, who expected a certain amount of confusion over the complicated claiming process, hostility at the prospect of more work, or, at best, boredom at the tedious administrative procedures, these officials were forthcoming and enthusiastic:

“After my introduction, [the City official] went first, reeling off an array of city programs which she thought sounded promising for this sort of refinancing. Then [the County official] took off from the county side, even more positive. By the time we left two hours later, everybody was “pumped” and it looked like there was a least a million dollars in unmatched local funding. We already had dates for the next round of discovery, which they wanted to start immediately, to get down to the specific programs and providers to be involved.”

What was most encouraging was the fact that these officials never pursued direct gain for either the city or the county. Although the county official was responsible for balancing the county budget, neither official ever suggested that the city or county government should benefit from the Title IV-E claims despite the fact that the possibility was recognized. They rejected the notion fairly directly on the grounds that: (a) the amount of money involved was not enough to really help their budgets much; (b) they were more

interested in seeing the city and county family services programs benefit, indirectly relieving pressure on local government to increase current budget levels; and (c) they supported LINC as the local governance partnership for coordinating children and family services.

The city and county officials provided information on their contracts with local providers. Reviewing contract files produced an initial list of 12 agencies that showed promise as children and family service providers with a likely element of case management-type activity:

Save, Inc	<i>an emergency shelter for families</i>
Rose Brooks	<i>domestic violence shelter</i>
Guadalupe Center	<i>multi-purpose teen center and shelter</i>
Metro Org. to Counter Sexual Abuse	<i>rape crisis center</i>
Newhouse	<i>battered women's shelter</i>
Community Service League	<i>shelter, emergency services</i>
Housing Information Center	<i>housing referrals</i>
Seton Center	<i>family social services</i>
Mother's Refuge	<i>teen parent center</i>
COMBAT	<i>anti-drug abuse program</i>
Living in New Communities	<i>emergency shelter for families</i>
Don Bosco Center	<i>church-based social services</i>

These provider agencies were invited to learn about a financing strategy in which proceeds would be shared between participating agencies and LINC, with the understanding that the LINC share would benefit children and family service programs in the greater Kansas City area. LINC could not tell these agencies exactly how much funding could be gained, although this question, as expected, arose immediately. These agencies could only be told to estimate 20-25 percent of their case management costs as the total federal return. This percentage would then be divided between the providers and LINC after some administrative set-asides. Thus, they were asked to *"take it on faith"* that some financial benefit would accrue to them from the process, pending a trial run.

In these initial meetings, the private providers were engaged directly in a discussion of administrative procedures. How would they prefer to document their time? How often was too often? How could they identify case management costs? For the most part, the discussion centered around what sort of activities could be claimed, what staff capacity was needed, and how much work was involved.

Claiming School Expenses

Once the human service agencies were identified, the fiscal team could turn its attention to schools. Finding claimable costs in the schools was not as *"easy"* as in private service agencies. LINC's jurisdiction encompasses four school districts: Kansas City, Independence, Ft. Osage, and Hickman Mills. All four school districts were involved in a similar process claiming federal Medicaid funds for certain administrative expenses on behalf of poor children. In fact, the Title IV-E administrative claiming concept using local funds is essentially the same as the

Administrative Claiming to Medicaid (ACM) process, except that the service population and the claimable activities were different.

Meetings were held with key officials from each of the four districts. The Ft. Osage Superintendent was enthusiastic and ready to start as soon as possible. The Independence officials were willing but skeptical, having seen their Medicaid claims reduced via federal audits. The Hickman Mills District could offer the assistance of only one technician/bookkeeper, who appeared overwhelmed with the Medicaid claim and other paperwork. The Kansas City District offered a much larger and more organizationally complex challenge.

With this mixed picture of readiness and willingness, the Title IV-E school claims would clearly not be ready before the end of the school year (June 97). Consequently, the implementation process was deferred until the Fall start of the new school year.

The fiscal team leading this effort adopted a deferential approach to the State Medicaid staff, promising that schools would not be invited into LINC's Title IV-E claiming process *until and unless* the state Medicaid staff had reviewed the process and approved the methodology. Later, these staff commented on the design for the school-based Title IV-E add-on. Their recommendations were adopted wholesale. They approved the final Title IV-E design, complete with sending a letter to the four school districts recommending their participation in the Title IV-E claim.

Training Participants

Once a sufficient number of provider agencies were identified, participants needed to be trained in how to prepare documentation

needed for the claim. The fiscal team scheduled a time-study training session and prepared materials for participants in the time-study, including written instructions on participation and the accounting associated with certifying the participating agency expenditures.

Training was scheduled and conducted on May 28, 1997, and the time-study conducted during the week of June 16-20. Materials were presented to the participating agencies before the training session. Having heard the design described four times and with a manual in hand, the participating agencies needed little training beyond the administrative details of how to conduct the time-study. Some discussion ensued on the accounting methodologies for the various agencies, but these issues were also dispatched fairly quickly during the training. What the agencies seemed to *really* want to discuss was the distribution formula for the proceeds. In the end, about half of the planned training time was devoted to the allocation formula, as described in the next section.

This discussion was quite timely, since a firm distribution formula had not yet been set. In fact, the first quarterly time-study was presented as a test of the process which would, finally, give each agency a concrete reading on its expected financial returns.

Within ten days of the training, each of the agencies received a formal written invitation from LINC to participate in the June 16-20 time-study, as well as a draft contract that, if accepted, would authorize the agency to claim Title IV-E funding through LINC.

During each of the five work days of the time study, each case management staffer completed a daily log. On the log, the staffer entered a letter (A-H) identifying the primary activity in which s/he was engaged for each

15-minute segment of the workday (i.e., 32 entries for an 8-hour workday). Activities included case record documentation, direct service provision, and eligibility determination. LINC staff then calculated, based on that one week's sample, the percentage of time that staffers from each agency spent on IV-E claimable activities.

A debriefing was held following the time study. Participants generally agreed that the time-study was not difficult or burdensome, and some decided to include additional staff (and costs) in subsequent time-studies.

THE DISTRIBUTION ISSUE

As agencies began to decide whether, in fact, they would participate, the need to spell out the distribution formula became paramount. In a draft document circulated in May, the following distribution formula was proposed:

10% State agency, for administrative costs
 10% LINC, for administrative costs
 40% Participating private agencies,
 in proportion to their part of the claim
40% LINC, for community services
100%

In later discussions, the agencies approached the subject diplomatically, not wanting to appear more interested in their own agency's receipts than in the good of the community represented by LINC. Nonetheless, they did raise a concern that the proposed formula might not return enough actual dollars, especially to the smaller agencies or those with few case managers, to warrant burdening their staffs with the time study and accounting requirements. They also politely questioned whether the 10 percent administrative amounts for the state and LINC might be reduced. Several participating agencies asserted that they would be less concerned about their "shares" if they could have some say in how the LINC program dollars would be spent in the community.

On this point, the LINC staff person consistently reflected the position of the LINC Executive Director, who clearly opposed adding another advisory board to the already cumbersome LINC committee structure. LINC's position was that the Local Investment Commission itself should make the distribution decisions regarding LINC's share. The LINC representative also pointed out that these agencies were already involved or had

the option to be involved in one or more of the existing LINC committees.

LINC officials did eventually decide that the participating agency share should be increased for small private agencies so that the process would offer significant financial incentives. The percentage selected was 55 percent, because this gave even the smallest agencies at least \$1,000 per quarter. This amount was reflected in the final contracts sent to the private agencies for approval. The public agency share remained at 40 percent. The final distribution formula was:

Participating Agency:

	<u>Private</u>	<u>Public</u>
State DSS	10%	10%
LINC Administration	10%	10%
LINC Local Programming	25%	40%
Participating Agencies	55%	40%
TOTAL	100%	100%

What is unique about LINC's approach to the distribution issue is predicating it on the notion that LINC was the vehicle for increased federal funds, not the participating agencies. Nobody ever asked the separate agencies whether they would donate a portion of the proceeds to LINC. Instead, the assumption from the outset was that, as the central governance body, LINC would receive the money and then, in turn, give each agency a share according to its contribution.

COMPLETING THE FIRST CLAIMS

Five agencies participated in the first quarterly claim (April-June 1997), seven participated in the second (July-Sept. 1997), and eight in the third (Oct.-Dec. 1997). A few of the twelve provider agencies originally identified by the city and county could not be included in the claims once information about their activities and financing was obtained. For instance, some agencies were found either: (a) to not have case management staff, or (b) their case management staff were paid with nonpublic dollars, or (c) the public dollars received went into direct services, such as shelter care or income supplements for families, rather than into administrative staff costs. For instance, the Rose Brooks domestic violence shelter used all of its city and county funds for board and care costs, which are not claimable to Title IV-E. Although the agency does some case management, this work is paid for with private funds, not with public matchable dollars.

In addition, one agency declined to participate because staff did not think their superiors would let them keep the new funds in their program. The police domestic violence unit -- two full police squads dedicated to family violence cases-- and the city's victim assistance program are funded with local tax dollars and entail a significant casework expenditure. Unfortunately, their representatives doubted whether any additional funds achieved would make it through the city budget to their units. Although they chose not to participate, LINC decided to revisit the possibility of including them in future claims.

Illustrations of how the claims were established in three agencies are presented below.

Agency #1 is a nonprofit shelter and emergency services center that receives, as part of its budget, county funds for housing assistance, specifically earmarked for housing counseling to families. After careful discussion, the agency certified \$33,516 in publicly funded administrative expenditures for the first quarter. Their time-study showed that 74 percent of their workers' time was for claimable Title IV-E activities, yielding a claim (at 50% FFP) of about \$12,000. In the second quarter, they had \$43,788 in public expenditures at 86 percent claimable for a federal claim of about \$18,000. This agency received its 55 percent share of the claims, about \$6,500 in the first quarter and \$9,800 in the second.

Agency #2 is a rape crisis service center offering counseling and case management services for women, most with children. The Center certified expenditures of \$71,649 in public local funds for the first quarter, but documented only 21 percent of its workers' time as Title IV-E claimable, supporting a federal claim of about \$7,000. Following the first claim, the agency learned that its workers had misunderstood the limited applicability of the "counseling" activity, which is a nonclaimable activity. When corrected in the second quarter, the agency certified \$54,919 in public expenditures and showed 28 percent claimable time for a total claim of about \$7,200. The Center received its 55 percent share, about \$3,900 for each of the two quarters.

Agency #3 is the juvenile probation division of the Jackson County Family Court, which employs over 60 juvenile probation officers who work with youth in their own homes before, in lieu of, and/or after juvenile detention in a county facility. These probation officers perform a great deal of case management work aimed at diverting youth from out-of-home placement. In the second

quarter time-study, 52 of 60 probation officers participated, showing a claimable time percentage of about 72 percent. When applied to its certified expenditures of \$452,940, the federal claim was almost \$154,000 for the quarter. Forty percent of this, or \$61,600 was

given to the public juvenile probation agency, which equals \$246,400 on an annual basis.

The results of the first four quarterly claims are shown in Table 1.

TABLE 1

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Expenditures	\$187,379	\$ 665,094	\$ 915,488	\$1,630,616
Average Claimable Percent	43.18%	61.04%	56.19%	58.69%
Federal Financial Participation	50%	50%	50%	50%
Total Federal Claim	\$ 40,453	\$ 202,981	\$ 257,199	\$ 478,539

By the fourth quarter, LINC received \$478,539 in federal funds. If this level is sustained during the second year as expected, LINC will draw down \$1.9 million on an annual basis. Of this amount, the State takes 10 percent (\$190,000) for its administrative expenses and LINC keeps \$190,000 for its administrative expenses. The remaining \$1.5 million is split between LINC and the community agencies participating in the project. According to the distribution formula LINC worked out with the participating agencies, LINC keeps between \$500,000 and \$750,000 depending on the public or private status of each agency participating in the claim, and the agencies share between \$750,000 and \$1 million.

government's certification that such funds were expended for claimable services or activities. This strategy is obviously more efficient and politically acceptable than intergovernmental fund transfers. Of course, documentation of expenditures at the local level is required as well as some monitoring by the state to ensure that the funds were, in fact, correctly expended.

Missouri is taking advantage of a practice that has become commonplace: *local match expenditures are "certified" rather than transferred between jurisdictions.* Rather than sending county money to the state treasury, the state agrees to accept the local

CONCLUSION

The Kansas City experience has proven that a functional federal Title IV-E administrative claiming mechanism can be established in support of a local community collaborative.

Although returns for the first quarter were small, they increased significantly in subsequent quarters. The implementation of this claiming process through the first quarter claims took less than five months--from March to July 1997. The State quickly recouped its contractual costs for this work and is realizing new money in addition.¹¹

Most often, the federal government passes legislation to put funding "out there" for certain categorical problems and, lo and behold, those are exactly the problems that communities decide to address. In contrast, Missouri and LINC, in particular, could use this money to further their broad-based agenda that reaches across categorical lines to improve conditions for children and families in Kansas City.

The lessons learned from this experience extend beyond financing; e.g., the Kansas City community gained more than just money from this effort. The relationships among private provider agencies were strengthened as their staffs were trained together to participate in the claiming process. The relationship between the provider agencies and LINC was also strengthened. The provider agencies became more than just passive recipients of funds; they actively participated in the collection of money and had significant input into determining the distribution formula. At the same time, the relationship between LINC and the State was also enhanced through this experience. The federal funds became the political glue that brought several layers of individuals and organizations closer together, enabling them

to understand better the functions of their colleagues.

This story is far from over. The process put in place in Kansas City has only just begun. Not only will the claim be expanded to include more participants over time, but LINC is now just beginning to develop new spending priorities for the increased funds being received with no strings attached. The challenge now is for LINC to create a multi-year spending plan that will meet some of the community's most pressing needs. This claiming mechanism may continue indefinitely as long as the federal and state statutes and the interagency contracts remain in place. If so, this money promises to become a substantial source of permanent support for LINC's community-building activities.

APPENDIX A

Kansas City's story illustrates the four key elements required for administrative claiming:

- 1. Authorization:** A contract or interagency agreement is made between the staff performing claimable administrative activities and the Single State Agency responsible for the federal program(s) being billed. This contract "deputizes" the provider to assist in the administration of the program(s).
- 2. Activity Documentation:** The performance of activities that qualify as Title IV-E administration, such as case management, is documented. Traditionally, a staff time-study or other activity sampling is sufficient for administrative claiming rather than invoicing or full-time record-keeping.
- 3. Program Linkage (Eligibility Percentage):** Evidence is gathered that the contracted activities are necessary for the "proper and efficient" administration of a program. Statistical documentation of the percentage of program-eligible persons in a service caseload is generally accepted for this purpose; e.g., the percentage of Title IV-E eligible children in the State's foster care placement caseload is applied to the expenditure.
- 4. Cost Accounting:** Evidence is compiled that the amounts claimed for such administrative costs represent actual expenditures of public dollars at reasonable prices. Such costs are normally accumulated in an agency accounting system as the cost of salaries, benefits, overhead, training, and other staff administrative costs. This "cost pool" is then factored (discounted, multiplied) by the time-study result to identify the portion of the cost pool that was spent for the claimable activities. That portion is further factored by the percentage of program-eligible clients to determine each benefiting program's fair share of the administrative cost.

As the basis for an administrative claim, such costs must be (a) *public* expenditures, which may be any state or local tax or revenue dollars, including Indian tribal dollars, (b) *nonfederal* dollars, which means that federal discretionary and block grant dollars may not be used as the matching base, and (c) *not already used to match federal funds*, which means that a given state or local dollar cannot be used more than once to draw federal match. Finally, such local public expenditures may be certified, as opposed to transferred to state accounts, in order to serve as a basis for federal claims.

NOTES

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1. For more information on LINC, see the Center for the Study of Social Policy, "Setting a Community Agenda: A Case Study of the Local Investment Commission, Kansas City, Missouri, 1998. Also see Bailey, Anne Lowrey, "A Quiet Revolution in Delivering Social Services," *The Chronicle of Philanthropy*, March 23, 1995, pp 7-12. Also see Hobbs, Gayle A., "Welfare to Work: The Kansas City Experiment and Experience," *Public Welfare*, Fall 1996, pp. 5-11.
 2. Policy interpretation ACYF-PA-87-05 issued by the U.S. Department of Health and Human Services, November 22, 1987. The policy required that preventive activities for such at-risk children should be allocated to Title IV-E only in proportion to the percentage of children in the state's placement caseload who are Title IV-E eligible. Another policy interpretation, ACYF-PIQ-96-01, issued November 8, 1996, provides that the caseload Title IV-E discount factor need not be applied to children individually determined to be "candidates for Title IV-E foster care."
 3. In claiming Title IV-E funding, Missouri conservatively applies the "caseload discount" required by ACYF-PA-87-05. Since only about 66 percent of foster children in Missouri are Title IV-E eligible, Missouri claims only 66 percent of the costs associated with claimable activities delivered to "at-risk children." Thus, a net of about 66% x 50% federal financial participation (FFP) = 33 percent of the cost of claimable activities is recovered.
 4. Different rates of FFP occasionally apply, e.g., 75 percent FFP for Title IV-E foster-care training under certain circumstances. Note that the FFP rate for administrative activities is not to be confused with the Federal Medical Assistance Percentage (FMAP) or other service/income maintenance matching rates, which apply under the same federal Social Security Act program for nonadministrative expenditures, such as income maintenance payments.
 5. 45 CFR 1356.60(c) "Federal matching funds for other State and local administrative expenditures for foster care and adoption assistance under Title IV-E: Federal financial participation is available at the rate of fifty percent (50%) for administrative expenditures necessary for the proper and efficient administration of the Title IV-E State plan."
 6. The principal officials involved in the project were Gary Stangler, Director of the Missouri Department of Social Services; Katherine Martin, Director of the State Department of Social Services (DSS) Community Enterprise Unit (which operates Missouri's Caring Communities Program); and Chris Rackers, Director of the DSS Division of Budget and Finance.
 7. In using private, nonprofit agencies, Missouri's strategy differs from the model of administrative funding seen elsewhere. In North Dakota, the Children's Services Coordinating Committees, which claim Title IV-E, are public agencies. In Louisville, KY, the school district, which is a public agency, contracts with the state Title IV-E agency on behalf of members of the Neighborhood Place child and family service centers.

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8. Letter from Gary Stangler, Director, Missouri Department of Social Services to Tom Joe, Director, Center for the Study of Social Policy, October 30, 1996.
 9. A few days of this contract were to be used to begin the process in a second site after successful implementation in Kansas City.
 10. The primary players in the initial Kansas City work included Gayle Hobbs, LINC Executive Director; Stephanie Laster, LINC Fiscal Officer; Robin Gierer, State DSS Caring Communities staff; and Matthew Morris, State DSS fiscal staff.
 11. Approximately \$25,000 spent for the consultant will be federally reimbursed as Title IV-E training at 75 percent FFP, leaving a total cost to the state of \$6,250. This was easily retrieved as part of the State agency's share of the first quarterly claim.