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# Placement Spending and Funding

## CHAPTER 3

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**Statewide information about out-of-home placement spending is incomplete.**

**M**any counties have expressed concerns to legislators about growth in out-of-home placement costs. In particular, they have observed that county property taxes pay for a significant share of child placements ordered by the courts. Meanwhile, however, legislators have had incomplete information about out-of-home placement costs and spending trends. We asked:

- **How much do Minnesota public agencies spend on juvenile out-of-home placements and family preservation services?**
- **How has placement spending changed over the last five years?**
- **How much does placement spending vary by county, and what accounts for this variation?**
- **What levels of government pay for out-of-home placements, and how does the financing vary by county?**

Overall, we found that Minnesota public agencies spent more than \$200 million for out-of-home placements in 1997, and the costs increased considerably faster than inflation over the last five years. However, placement spending per resident under age 18 varied dramatically among counties. In addition, spending increased considerably over the last five years in some counties but declined significantly in others. While some variation in county spending is related to the needs of each county's population, some of it is explained by the child placement philosophies and practices of the counties and courts.

## **DATA SOURCES**

In some counties, the department of social services pays for almost all placements (including correctional placements); in other counties, a combination of departments (social services, corrections, and others) pay for the placements. In 1997, county social services budgets paid for 76 percent of Minnesota's total placement spending (excluding education costs). We analyzed this portion of spending by examining data from the Department of Human Services' Social Services Expenditure and Grant Reconciliation (SEAGR) information system.

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**We collected data from several sources.**

In addition, to develop complete statewide information on child placement spending, we obtained information from four other sources. First, we sent surveys to each county in June and July 1998 to collect information on spending by corrections, law enforcement, and other non-social services agencies. In about half of the counties, non-social service agencies pay for certain correctional placements, such as juveniles who are placed in a facility run by the county.

Second, we obtained information on placement costs paid directly by the Minnesota Department of Corrections (DOC).<sup>1</sup> Until December 31, 1998, the state paid for the placement of children committed to the Commissioner of Corrections from the 56 counties that do not participate in Minnesota's Community Corrections Act (CCA). Furthermore, the per diems paid by CCA counties for children committed to the commissioner only covered 81 percent of the placements' total cost in 1997 (excluding education), and the state paid the difference.<sup>2</sup>

Third, we obtained Department of Human Services (DHS) information on spending for residential chemical dependency treatment through Minnesota's Consolidated Chemical Dependency Treatment Fund, which pools local, state, and federal funds. Finally, Medicaid paid for some children's mental health services at two state-run acute care hospitals which are also licensed as Rule 5 facilities, the Brainerd and Willmar regional treatment centers. We included the Medicaid spending in our statewide analysis but not the county-by-county analysis.<sup>3</sup>

Our estimates of county and state out-of-home placement spending do not include education costs. In general, a child's home school district remains responsible for the cost of the child's education, even if the child is placed in another district. There are no statewide data that indicate whether (and to what extent) the cost of educating students in residential placements is greater than education costs incurred while they live at home, but some school districts have expressed concerns about higher costs for children in placement. A House-Senate task force examined placement-related education costs in 1998, so we chose not to duplicate their efforts.

In addition, our estimates of placement spending do not include the cost of services that were not covered by the per diem billing used by the residential facilities. If a facility provided or contracted mental health or chemical dependency treatment and the cost was included in its per diem, we included it in our spending estimates. If a child was placed in a foster home and received counseling on an outpatient basis in the community, we did not include the cost in our spending estimates.

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<sup>1</sup> Based on the number of days of care provided to each juvenile committed to the Commissioner of Corrections by the counties, we allocated Red Wing's and Sauk Centre's costs (excluding education costs and hold/detention placements) to each county. For counties paying per diems, we subtracted their payments from the allocation.

<sup>2</sup> Program Evaluation Division analysis of data from the Department of Corrections. To be consistent with other facilities, we applied all of the county per diem payments toward non-education costs.

<sup>3</sup> We did not collect data from acute care hospitals that are not licensed under Rule 5, such as the Wilson Center.

The data presented in this chapter generally do not distinguish between the various types of correctional facilities, such as pre-disposition detention, post-disposition residential, secure, and non-secure facilities. Existing county-reported data on correctional facility costs, days of care, and number of placements have not adequately distinguished between these types of categories. As we note later, it is important to consider that the statewide averages we present for correctional facility length of stay and cost per placement are based on a wide variety of placements, ranging from single day detention stays to multi-month residential stays.

## STATEWIDE SPENDING

Using information from state data sources and our surveys of local agencies, we estimated that:

- **Minnesota public agencies spent \$225 million in 1997 for children placed out of their homes, not including education costs.**

As Table 3.1 shows, most of the spending was for foster homes (\$78 million), correctional facilities (\$59 million), and Rule 5 residential mental health treatment facilities (\$47 million). (It should be noted that these figures refer to types of facilities and not the reason for a placement. A juvenile delinquent placed by the corrections system can be sent to a corrections or Rule 5 facility or even a foster home licensed by DHS.)

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**Out-of-home placements cost taxpayers more than \$200 million in 1997.**

Three factors determine these levels of spending: 1) the number of children who were placed, 2) the length of the stay, and 3) the cost per day of the placements.<sup>4</sup> Across all types of facilities, there were over 36,000 placements in Minnesota in 1997 with an average length of stay of 93 days and an average cost of \$66 per day. Even though foster homes accounted for only 21 percent of the placements and cost an average of only \$35 a day, they made up 34 percent of total placement spending because the average length of stay was long (285 days).

Correctional facilities made up 45 percent of all placements and cost an average of \$129 a day, but they accounted for only 26 percent of all the spending because many of the stays were short, such as pre-adjudication detention (which often lasts less than 72 hours) and short-term consequence programs (some lasting less than a month). However, post-adjudication residential placements often cost \$10,000 to \$40,000 each and last for several months. Unfortunately, available data did not allow us to separate the costs, placements, and days of care of detention stays from longer-term correctional placements. As a result, the average length of stay and cost per placement shown in Table 3.1 are not representative of “typical”

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<sup>4</sup> For our analysis, we combined data from several sources, the largest being DHS’ Social Services Expenditure and Grant Reconciliation (SEAGR) reports and substitute care database. The SEAGR reports classify placement spending into five categories -- shelter, foster care, Rule 8, Rule 5, and corrections. The substitute care database classifies placements and days of care into categories that are somewhat similar to the SEAGR categories but not identical. While we tried to match spending with placements and days of care as closely as possible, errors still remain.

**Table 3.1: Juvenile Out-of-Home Placement Spending by Type of Facility, 1997**

Type of Facility	Total Spending	Number of Placements Made in 1997	Estimated Average Length of Stay (Days) <sup>a</sup>	Days of Care Occurring in 1997	Average Cost per Day <sup>b</sup>	Estimated Average Cost per Placement <sup>b</sup>
Shelters <sup>c</sup>	\$16,792,531	7,521	25	188,083	\$89	\$2,233
Family foster homes	77,512,966	7,811	285	2,223,102	35	9,924
Rule 8 group homes	17,303,784	1,463	119	174,580	99	11,828
Rule 5 facilities <sup>d</sup>	46,705,553	1,551	168	260,533	179	30,113
Correctional facilities	59,389,793	16,211	28	460,880	129	3,664
Chemical dependency facilities	7,309,808	1,346	40	54,031	135	5,431
Other <sup>e</sup>		502		31,108		
<b>TOTAL</b>	<b>\$225,014,435</b>	<b>36,405</b>	<b>93</b>	<b>3,392,317</b>	<b>\$66</b>	<b>\$6,181</b>

<sup>a</sup>Program Evaluation Division estimate based on the number of days of care in 1997 divided by the number of placements made in 1997.

<sup>b</sup>These figures may slightly overestimate the actual cost per day and per placement because we could not allocate some placements and days of care to the facility types.

<sup>c</sup>We included shelter placements at Rule 5 facilities in the shelter category rather than in the Rule 5 category.

<sup>d</sup>Includes placements paid by Medicaid at Brainerd and Willmar regional treatment centers for state fiscal year 1997.

<sup>e</sup>Placements and days of care that could not be allocated to the facility types.

SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports, substitute care database, Consolidated Chemical Dependency Treatment Fund, and unpublished Medicaid data; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

corrections placements. For example, data that we collected from facilities run by Hennepin and Ramsey counties indicate that the average detention stay in these facilities was seven days. In contrast, the average post-adjudication stay was 115 days.

Finally, the average Rule 5 placement was relatively long (168 days) and expensive (\$179 per day). As a result, Rule 5 placements accounted for 21 percent of the spending even though they accounted for only 4 percent of all placements.

## STATEWIDE TRENDS

We used data from state and county sources to examine spending trends between 1992 and 1997. We found that:

- **Adjusted for inflation, public spending for out-of-home placements per resident under age 18 increased 22 percent between 1992 and 1997.**

**Spending for placements has grown faster than inflation, especially in correctional facilities.**

During this period, the number of placements per resident under age 18 increased by 7 percent, the average length of stay decreased by 3 percent, and the average cost per day after adjusting for inflation increased by 15 percent.<sup>5</sup>

As Table 3.2 shows, the different types of facilities experienced different trends.<sup>6</sup> While placement spending at correctional facilities increased by 39 percent, spending for shelter facilities declined by 3 percent. Of the three types of placements that account for most of the spending in the state -- foster homes, Rule 5, and corrections -- spending at Rule 5 and corrections facilities increased by more than the statewide total. It would be useful to examine trends in placements, lengths of stay, and cost per day for each of the six placement types, but the available data did not allow us to do this. For example, we do not know whether the statewide decline in average length of stay reflected shorter average stays in the individual categories of facilities or an increased reliance by counties on certain short-term placement types (such as detention).<sup>7</sup>

**Table 3.2: Change in Juvenile Out-of-Home Placement Spending by Type of Facility, 1992-97**

Type of Facility	Percentage Change in Inflation-Adjusted Spending per Resident Under Age 18
Shelters	- 3%
Family foster homes	14
Rule 8 group homes	21
Rule 5 residential treatment facilities <sup>a</sup>	26
Chemical dependency facilities	37
Correctional facilities	39
<b>Total</b>	<b>22%</b>

NOTE: Spending is adjusted for inflation using the Chain-Type Price Index -- State and Local Consumption Expenditures and Gross Investments.

<sup>a</sup>Includes Medicaid payments at Brainerd and Willmar Regional Treatment Centers.

SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports, Consolidated Chemical Dependency Treatment Fund, and an unpublished table titled "DHS Funding for Mental Health Services - Children Only;" Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

<sup>5</sup> While the 22 percent increase in spending included all sources of funding and all counties, the figures for placements, average length of stay, and cost per day excluded placements paid by Medicaid (because data on the number of placements and days of care were not available for 1992) and placements made by 12 counties (because complete data for 1992 were not available.)

<sup>6</sup> It should be noted that facilities sometimes change their licenses, for example from a Rule 5 facility to a corrections facility or a Rule 8 home. Some of the change in spending for the facility types is explained by a change in licenses rather than a change in placement policies. In addition, the implementation of higher standards of care for Rule 5 facilities in 1996 may explain some of the increase in Rule 5 spending.

<sup>7</sup> It would be interesting to know more about the year-to-year changes in placement spending, but comprehensive statewide data are not available. For the largest category of placements -- those paid for by social services -- we found that most of the spending increase occurred in 1992-94, not in 1994-1997.

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### Many county officials expect their placement spending to increase.

When we asked human services directors and corrections supervisors about future spending, we found that:

- **A majority of county officials believe that their county's placement spending will increase in the next 3 years.**

Among county human service directors, 76 percent anticipate an increase in their agency's out-of-home placement spending in the next three years (not including inflation), 10 percent expect a decrease, and 13 percent think spending will stay the same. Among county corrections supervisors, 54 percent expect an increase in their agency's placement spending, 5 percent anticipate a decrease, and 28 percent think that spending will stay the same.<sup>8</sup>

Some county officials believe it is difficult to control increases in placement spending because the courts do not have to pay for the placements they order. In our surveys, 77 percent of county human services directors disagreed with the following statement: "Judges fully understand the costs of the placements and services they order."<sup>9</sup>

## COUNTY VARIATION

Table 3.3 shows counties with the highest and lowest 1997 placement spending per resident under age 18. We found that:

- **Spending for out-of-home placements varied widely among counties in 1997. On average, counties spent \$173 per resident under the age of 18, but individual counties ranged from \$25 to \$322.**

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### County spending for placements varies widely.

To examine the variation more closely, we separated the 84 county social service agencies into high, medium, and low spending categories, each with 28 counties.<sup>10</sup> As Table 3.4 shows, low spending counties placed proportionally fewer children for significantly shorter periods of time at less expensive facilities than high spending counties. High and medium spending counties were largely distinguished by the number of placements made per capita, not the length of placements or the average cost per day. The main difference between medium and low spending counties was the average length of stay in placement. In addition, we found that high spending counties (as a group) had substantially higher

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<sup>8</sup> Program Evaluation Division survey of county human service directors and corrections supervisors, August 1998 (N=84 human services directors and 82 corrections supervisors). One director and 11 supervisors said they had no basis for making a reasoned estimate. The median expected spending increase was 11 to 15 percent for human service directors and 6 to 10 percent for corrections supervisors.

<sup>9</sup> Ten percent of the directors agreed with the statement. Among corrections supervisors, 45 percent agreed with the statement and 37 percent disagreed.

<sup>10</sup> Lincoln, Lyon, and Murray counties operate under a single social service administration, and Faribault and Martin counties operate under another. For these two groups of counties, we also aggregated their spending from non-social services sources.

**Table 3.3: 1997 Spending for Juvenile Out-of-Home Placements, Selected Counties**

	1997 Spending per Resident Under Age 18	1997 Spending per Child in Poverty
<b>High spending counties</b>		
Hennepin	\$322	\$1,696
Cass	302	1,064
Polk	282	1,225
Watonwan	274	1,654
Jackson	269	1,652
<b>Low spending counties</b>		
Washington	\$64	\$1,121
Scott	50	945
Dakota	49	712
Traverse	45	230
Red Lake	25	158
<b>Statewide average</b>	<b>\$173</b>	<b>\$1,171</b>

SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports and Consolidated Chemical Dependency Treatment Fund; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

**Table 3.4: Characteristics of 1997 Juvenile Out-of-Home Placements in High, Medium, and Low Spending Counties**

	Number	1997 Spending per Resident Under Age 18	1997 Placements per 1,000 Residents under Age 18	Estimated Average Length of Stay (days) <sup>a</sup>	Average Cost per Day
Counties with high spending rates <sup>b</sup>	28	\$265	39	103	\$66
Counties with medium spending rates <sup>c</sup>	28	141	21	104	63
Counties with low spending rates <sup>d</sup>	28	80	20	68	60
Statewide average	84	\$173	29	93	\$64

<sup>a</sup>Program Evaluation Division estimate based on the number of days of care in 1997 divided by the number of placements made in 1997.

<sup>b</sup>Counties that spent \$188.0 or more per resident under age 18.

<sup>c</sup>Counties that spent \$108.7 or more per resident under 18 but less than \$188.0 per resident under 18.

<sup>d</sup>Counties that spent less than \$108.7 per resident under 18.

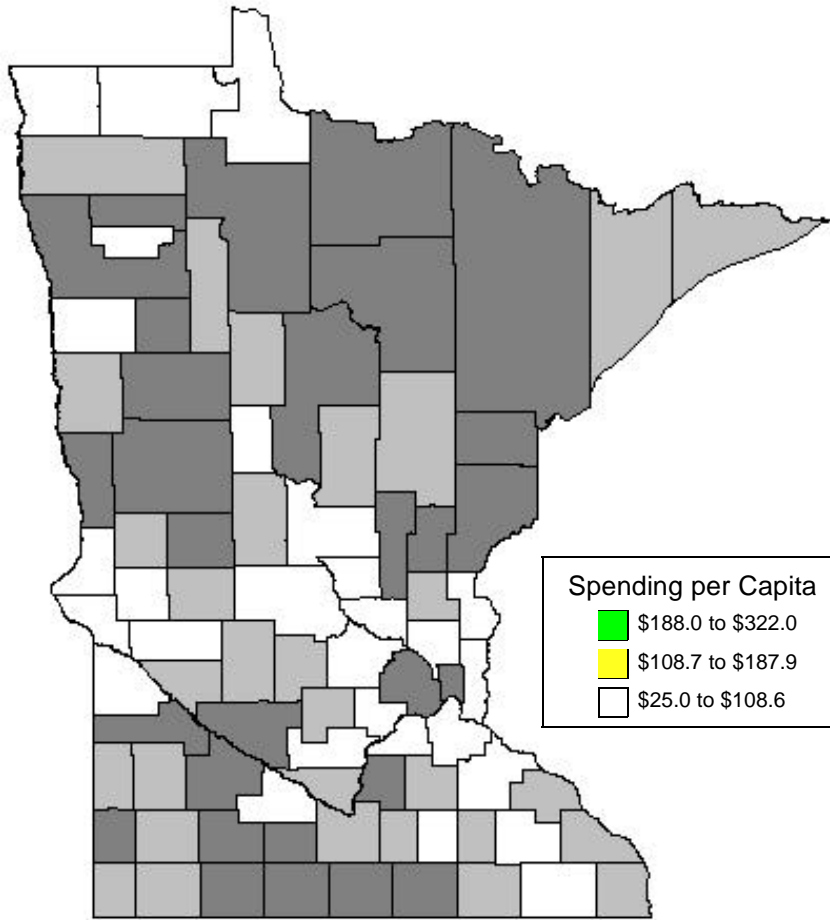
SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports, substitute care database, and Consolidated Chemical Dependency Treatment Fund; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

spending per capita than low spending counties in each of the six categories of facilities that we examined.<sup>11</sup>

Figure 3.1 shows counties with low, medium, and high spending per resident under age 18. Two counties (Hennepin and Ramsey) accounted for 69 percent of the spending among the 28 “high spending” counties, and St. Louis County accounted for another 7 percent. Eight Twin Cities suburban counties (Anoka, Carver, Chisago, Dakota, Scott, Sherburne, Washington, and Wright) accounted for 64 percent of the spending in the “low spending” category, and Olmsted and Stearns counties accounted for another 18 percent. Later in this chapter we discuss the relationship between a county’s socio-economic makeup and its level of spending.

**Twin Cities suburban counties have had relatively low spending levels per capita.**

**Figure 3.1: 1997 Out-of-Home Placement Spending Per Resident Under Age 18, by County**



SOURCE: Program Evaluation Division analysis of data from the Department of Human Services, Department of Corrections, and counties.

<sup>11</sup> The difference was \$23 to \$5 for shelters, \$93 to \$32 for family foster homes, \$19 to \$6 for Rule 8 group homes, \$49 to \$14 for Rule 5 facilities, \$75 to \$20 for correctional facilities, and \$6 to \$3 for chemical dependency facilities.

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**In the last five years, some counties significantly decreased their spending, while other counties more than doubled spending.**

## Variation in County Trends

Among the 34 counties that spent more than \$1 million for child placements in 1997, the change in inflation-adjusted spending per resident under age 18 between 1992 and 1997 ranged from a 19 percent decrease in St. Louis County to a 126 percent increase in Pine County. Even though statewide placement spending per child increased by 22 percent between 1992 and 1997, we found that:

- **Five counties that spent more than \$1.0 million for placements in 1997 decreased their placement spending per child between 1992 and 1997.**

These counties were Anoka, Dakota, Olmsted, and St. Louis and the joint administration of Lincoln, Lyon, and Murray counties.<sup>12</sup> Seven other counties decreased their spending, but we excluded these counties from extensive analysis because they had small placement budgets and a few expensive placements can significantly affect their spending. For example, eliminating a year-long placement at a facility with a \$250 per diem would decrease a \$500,000 placement budget by 18 percent.

To examine county trends in more detail, we divided the 34 counties that spent more than \$1 million on placements and for which we had complete 1992 and 1997 data into three groups: 1) those with a spending increase of less than half the statewide increase (i.e., less than 11 percent), 2) those with a spending increase of more than twice the statewide increase (i.e., more than 44 percent), and 3) those with a spending increase between these two thresholds.

As shown in Table 3.5, the nine counties with small increases (or decreases) in placement spending had smaller increases (or larger decreases) in the number of placements made, length of stay, and cost per day of care than counties with large or medium spending increases. However, the counties with large overall spending increases surprisingly had a significant decline in their average length of stay (9 percent). As discussed above, a decline in the average length of stay is difficult to interpret. It is quite possible that this decline reflects a change in the mix of the placements rather than a policy of these counties to decrease the length of placements. As Table 3.6 shows, of the six types of facilities, the ones with relatively short average lengths of stay -- shelter, corrections, and chemical dependency -- had the biggest increases in spending for the 13 counties with large overall spending increases.

In addition, as displayed in Table 3.6, we found that counties with small overall spending increases (or decreases) had much smaller spending increases than counties with large overall spending increases in all categories of facilities. Declines in Rule 5 and Rule 8 spending were the main contributors to the cost containment efforts of counties with small overall increases as a group. However, the primary source of cost containment varied for the individual counties. For example, Anoka County reduced its spending at Rule 5 facilities by 32 percent, Rule 8 homes by 26 percent, and corrections facilities by 11 percent. On the other

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<sup>12</sup> These three counties jointly administered social services but not corrections.

**Table 3.5: Changes in Out-of-Home Placements for Counties with Large, Medium, and Small Spending Increases, 1992-97**

	Number	Percentage Change in:				
		Inflation-Adjusted Spending per Resident Under Age 18	Number of Placements Made per Resident Under Age 18	Average Length of Stay <sup>a</sup>	Days of Care per Resident Under Age 18	Inflation-Adjusted Cost per Day
Counties with large spending increases <sup>b</sup>	13	68%	43%	-9%	31%	28%
Counties with medium spending increases <sup>c</sup>	12	22	7	1	8	13
Counties with small spending increases (or spending decreases) <sup>d</sup>	9	-12	-8	-11	-18	8
Statewide average <sup>e</sup>	72	20%	7%	-3%	4%	15%

NOTE: We excluded from the small, medium, and large categories 38 counties that spent less than \$1 million on placements in 1997 and the 12 counties for which we did not have complete 1992 data.

<sup>a</sup>This estimate is based on the number of days of care divided by the number of placements made.

<sup>b</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of more than 44 percent.

<sup>c</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of between 11 and 44 percent.

<sup>d</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of less than 11 percent.

<sup>e</sup>This is the average for the 72 counties for which we had complete placement and days of care data for 1992 and 1997, including the 38 counties that spent less than \$1 million on placements in 1997. We essentially had complete 1992 and 1997 spending data for all counties, and the statewide increase was 22 percent, rather than the 20 percent shown for the 72 counties in this table.

SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports, substitute care database, and Consolidated Chemical Dependency Treatment Fund; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

hand, Olmsted County increased its Rule 5 spending by 88 percent but decreased its Rule 8 spending by 97 percent and chemical dependency spending by 76 percent.

## Underlying Causes of County Variation

The wide variation in placement spending appears to reflect county differences in both underlying social conditions and placement policies and practices. First, some counties have more families needing social services (including placement services) than other counties. These families frequently have very limited resources and a lot of problems to address -- such as financial stress, domestic violence, drug and alcohol abuse, and homelessness. We found that:

**Table 3.6: Inflation-Adjusted Percentage Change in Out-of-Home Placement Spending per Resident Under Age 18, by Facility Type, 1992-97**

	Number	Shelter Spending	Foster Care Spending	Rule 8 Group Home Spending	Rule 5 Residential Treatment Facility Spending	Correctional Facility Spending	Chemical Dependency Facility Spending
Counties with large spending increases <sup>a</sup>	13	99%	34%	76%	60%	102%	185%
Counties with medium spending increases <sup>b</sup>	12	-8	15	62	52	29	-37
Counties with small spending increases (or spending decreases) <sup>c</sup>	9	3	6	-61	-44	15	-8

NOTE: We excluded from the small, medium, and large categories 38 counties that spent less than \$1 million on placements in 1997 and the 12 counties for which we did not have complete 1992 data.

<sup>a</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of more than 44 percent.

<sup>b</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of between 11 and 44 percent.

<sup>c</sup>Counties that spent more than \$1 million on placements in 1997 and had a 1992-97 spending increase of less than 11 percent.

SOURCE: Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Service Expenditure and Grant Reconciliation reports and Consolidated Chemical Dependency Treatment Fund; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

- **There is a positive relationship between county placement spending and child poverty levels.**<sup>13</sup>

As Table 3.7 shows, the First and Tenth judicial districts -- which include some relatively wealthy suburban counties around the Twin Cities -- had the two lowest child poverty rates and the two lowest spending rates in 1997. On the other hand, the rural Ninth District of northwestern Minnesota and the urban Second (Ramsey County) and Fourth (Hennepin County) districts had the three highest poverty rates and three of the four highest spending rates. Figure 3.2 displays the counties in each of the ten judicial districts.

Counties do not have immediate or direct control over the demand for social services, but they have significant influence over placement decisions, either directly or through their recommendations to the court. Based on our site visits and phone interviews with officials from 14 counties, we found that:

- **Among the counties with the lowest placement spending are ones that (1) expressed a strong philosophy that out-of-home placements should be used only after all appropriate community-based options have been exhausted, and (2) have subjected placement recommendations to considerable scrutiny.**<sup>14</sup>

<sup>13</sup> The correlation coefficient between 1997 county placement spending per resident under age 18 and poverty levels was 0.52.

<sup>14</sup> We contacted Crow Wing, Dakota, Hennepin, Jackson, Nicollet, Olmsted, Pine, Polk, Ramsey, Scott, St. Louis, Traverse, Washington, and Winona counties.

**A county's placement spending is related to its economic conditions and placement philosophy.**

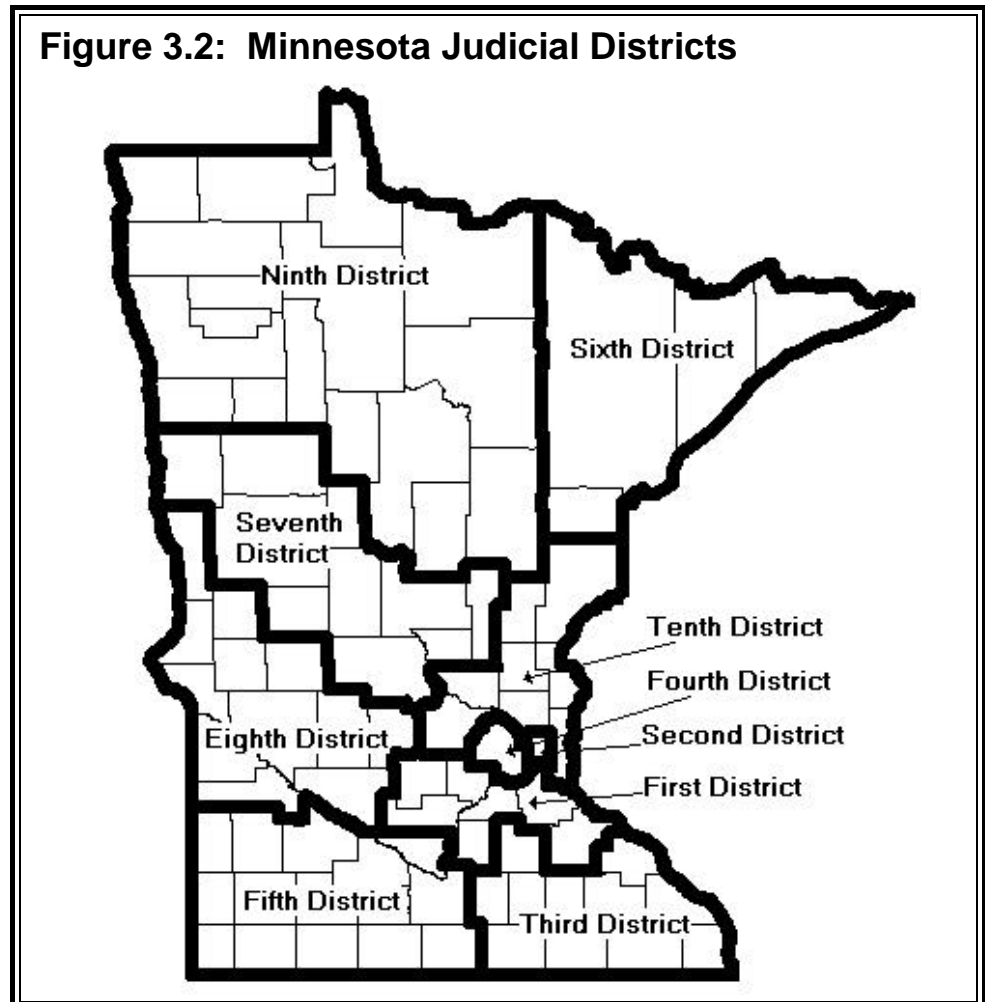
**Table 3.7: Poverty Rate and Placement Spending by Judicial District**

**Districts with low poverty rates also had low levels of placement spending.**

Judicial District	Percentage of Children in Poverty in 1993	1997 Placement Spending per Resident Under Age 18
First	8%	\$70
Second	21	211
Third	12	126
Fourth	19	322
Fifth	14	173
Sixth	19	210
Seventh	17	146
Eighth	17	139
Ninth	22	200
Tenth	9	93
Statewide average	15%	\$173

SOURCE: The poverty and population figures are from a Program Evaluation Division analysis of data from the United States Bureau of the Census. The spending numbers are from a Program Evaluation Division analysis of data from the Minnesota Department of Human Services' Social Services Expenditure and Grant Reconciliation reports and Consolidated Chemical Dependency Treatment Fund; Department of Corrections' data on Red Wing and Sauk Centre placements and spending; and the Program Evaluation Division's surveys of counties (June and July 1998).

**Figure 3.2: Minnesota Judicial Districts**



Earlier in this chapter, Table 3.3 showed the highest and lowest spending counties. Examples of the impact of county philosophy and practice include the following:

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**Some counties use community-based programs as an alternative to placements.**

- Scott County social services staff told us that the county's low poverty rate (5.7 percent and the second lowest of all counties) and high proportion of stable, intact families contributed to its low rate of spending, but they also said that the county's strong belief in community-based, family-oriented programs helped. For example, the county hired mental health workers with advanced degrees to work with families in their homes. When the county decides to make mental health placements, it tries to restrict them to three or four months (compared with a six-month state average).
- Dakota County social services staff told us that they have one of the lowest spending rates because they are very skeptical about the effectiveness of residential treatment. Therefore, they generally reserve these expensive placements only for children with a clear need for intensive supervision -- for example, suicidal children. In addition, Dakota County social services has a very structured placement review process. A committee reviews placement recommendations not only prior to placement but again within 30 days after placement.
- Traverse County had a 1993 child poverty rate of 19 percent but the second lowest placement spending rate of all the counties in 1997. In fact, we learned that the county did not have a Rule 8, Rule 5, or corrections placement in 1997 and has not had a corrections placement in the last five years. (In fact, Traverse County only made ten placements of any sort in 1997.) According to county staff, out-of-home placements are truly considered an option of last resort, and they have instead emphasized community-based programs, such as specialized services for American Indians and in-home counseling for juvenile delinquents.
- Even though St. Louis County's spending per resident under age 18 was higher than the statewide average in 1997, the county had one of the largest declines in spending between 1992 and 1997. According to social services officials, the staff psychologist has screened more children away from Rule 5 facilities and tried to scrutinize the lengths of these placements more closely. As a result, St. Louis County reduced its spending at Rule 5 facilities from \$2.6 million in 1992 to \$0.8 million in 1997 (both figures are in 1997 dollars), accounting for the greatest share of the county's reduction in spending.
- Jackson County's spending per resident under age 18 was one of the highest in 1997, and its spending per resident under age 18 increased by 78 percent between 1992 and 1997 (after adjusting for inflation). Until recently, the county had no social service supervisors, and county officials told us that the lack of adequate training and support from the agency for social workers made it difficult for them to resist community pressure to place problem children. In addition, county staff told us that placement recommendations were not subject to formal, structured reviews internally.

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**Many county officials believe they can limit placement spending without sacrificing service quality.**

Counties also differ in the way they handle cases involving parent-child conflict. For example, we reviewed county records of a case in which a court placed a 17-year-old girl in a group home and foster care because she did not get along with her father's live-in girlfriend. In other cases, parents "are simply not interested in raising their children," according to one human services director, and they seek out-of-home placement as a way to make their lives easier.

Some county staff told us that they recommend placements in cases involving parent-child conflict when they believe that the situation will deteriorate further and require greater intervention if placement does not occur. But other counties told us that they have tried to entirely eliminate placements resulting from parent-child conflicts. For example, Dakota and Scott counties have 24-hour crisis teams that try to respond to domestic conflicts without making placements. Dakota County offers families up to ten free in-home counseling sessions, in the hope of avoiding more expensive long-term placements.

Without adequate outcome data, we cannot know for sure whether counties with low spending rates are making good management and policy decisions or are sacrificing the best interests of children. Based on a survey of county officials throughout Minnesota, we found that:

- **Fifty-five percent of human service directors and 40 percent of corrections supervisors said that there are additional steps that their counties could take to control out-of-home placement costs without sacrificing service quality.**<sup>15</sup>

We also asked the directors and supervisors to list up to three innovative practices that they have used in recent years to control out-of-home placement spending. Figure 3.3 lists many of these practices.

## FUNDING

Counties pay for juvenile out-of-home placements with federal and state funds, county property taxes, parental fees, and other funding sources. We examined revenue sources for placements paid for by county social service agencies (which accounted for 76 percent of all placement spending in 1997). Unfortunately, there is no comprehensive information on revenue sources for all placements paid for by other agencies. Our analysis did not include placements paid by county agencies other than social services, most placements at the DOC's Red Wing and Sauk Centre facilities, and chemical dependency placements. We found that:

- **Counties funded 59 percent of placement costs paid by social service agencies in 1997, while the federal government funded 20 percent and state government funded 12 percent. Other funding sources covered the remaining 9 percent.**

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**The state funds a relatively small portion of placement costs.**

<sup>15</sup> Program Evaluation Division survey of county human service directors and corrections supervisors, August 1998. Two directors and three supervisors did not answer this question or responded "don't know."

### Figure 3.3: Selected County Strategies for Reducing Placement Costs

- Having pre-placement panels or committees review and screen placement recommendations.
- Increasing interagency (social services, corrections, schools, law enforcement, etc.) cooperation through collaboratives.
- Reducing caseloads for social workers and probation officers.
- Using community-based programs, such as intensive supervision, mental health counseling, and mentoring.
- Accessing family-based programs, such as in-home family counseling and parental education.
- Creating school-based programs, such as having social workers and probation officers based in the schools.
- Developing truancy programs, including alternative schools for truants.
- Making culturally specific programs available.
- Using electronic home monitoring.
- Finalizing adoptions as quickly as possible.
- Making services available to children and families after the children return home.
- Using treatment foster care as an alternative to residential treatment facilities.
- Placing children for shorter periods of time.
- Aggressively pursuing parental fees and federal foster care funding.
- Making available to each social worker or probation officer monthly statistics about the placements they made -- the number of placements, days of care, and cost.

SOURCE: Program Evaluation Division survey of county human services directors and corrections supervisors, August 1998.

When comparing Minnesota with other states, we found:

- **Minnesota's social services system is funded with county revenues more than most states' systems.**

According to data gathered in 31 states by the American Public Welfare Association, local funds accounted for only 13 percent of social service expenditures in 1990, state funds accounted for 41 percent, and federal funds accounted for 46 percent.<sup>16</sup> Furthermore, a recent survey of 38 states by the Child Welfare League of America indicated that Minnesota was one of only seven states in which local revenues accounted for more than 20 percent of child welfare

<sup>16</sup> American Public Welfare Association, *A Statistical Summary of the VCIS Social Services Block Grant (SSBG) Data for Fiscal Year 1990* (Washington, D.C., 1994), 27.

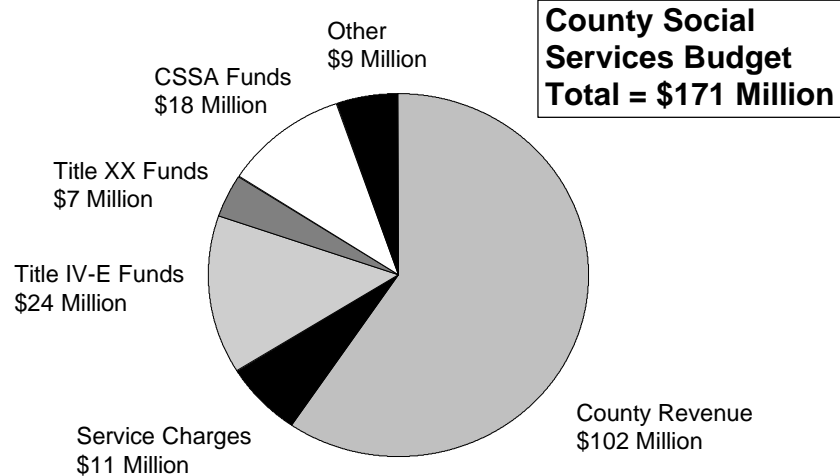
spending.<sup>17</sup> In most other states, state agencies (not the counties) directly provide child welfare services.

The primary source of county funding of out-of-home placements is property tax revenue, but county revenues also include general purpose aid provided by the state. Most of the federal funding comes from the foster care program under Title IV-E of the Social Security Act. This program helps pay for maintenance costs (food, shelter, clothing, daily supervision, school supplies, insurance, and other incidentals) and county administrative costs for children who (1) meet the eligibility requirements of the former Aid to Families with Dependent Children program, and (2) are placed in public institutions with up to 25 children, private facilities, or family foster homes. In Minnesota, the federal government pays for 52 percent of the maintenance payments and 50 percent of administrative costs, and the counties pay for the rest.<sup>18</sup> As Figure 3.4 shows, federal Title IV-E paid for \$24 million in out-of-home placements costs in 1997. Between 1992 and 1997, federal Title IV-E funding for out-of-home placements per resident under age 18 increased by 41 percent after adjusting for inflation.

In addition, the social services block grant under Title XX of the Social Security Act makes federal funds available to states based on their population and has no requirement for states to provide matching funds.<sup>19</sup> The state of Minnesota then

**Counties pay for most out-of-home placement costs.**

**Figure 3.4: 1997 Out-of-Home Placement Funding by Source**



SOURCE: Department of Human Services' Social Services Expenditure and Grant Reconciliation information system.

<sup>17</sup> Michael Petit and Patrick Curtis, *Child Abuse and Neglect: A Look At the States: The 1997 CWLA Stat Book* (Washington, D.C.: Child Welfare League, 1997), 159. The survey reported spending (excluding Medicaid) for FY 1996.

<sup>18</sup> 42 U.S. Code, sec. 670 et seq. (1998).

<sup>19</sup> 42 U.S. Code, sec. 1397 et seq. (1998).

allocates the funds to the counties based on their share of the state’s welfare caseload and population.<sup>20</sup> Counties have wide discretion about how to spend these funds. In 1997, this grant paid for \$7 million of out-of-home placement costs in Minnesota. Between 1992 and 1997, Title XX funding for all social services per resident under age 18 declined by 36 percent after adjusting for inflation.

The primary source of state funding is the Community Social Services Act (CSSA) block grant. The state allocates one-third of the funds to counties based on their share of the state’s welfare caseload, another third based on county population, and the final third based on the number of residents age 65 or older.<sup>21</sup> In 1997, CSSA grants paid for \$18 million of out-of-home placement costs and accounted for over 90 percent of state funding in cases in which county social services agencies paid for the placement. Between 1992 and 1997, CSSA funding for all social services per resident under age 18 increased by 4 percent after adjusting for inflation -- well below the 22 percent increase in overall placement spending.

Like the variation in spending levels, there was wide variation among counties in funding sources. As Table 3.8 shows:

- In 1997, county revenues accounted for as little as 33 percent of total placement funding (Clearwater) and as much as 79 percent (McLeod).

**The county share of placement funding varies considerably.**

**Table 3.8: 1997 Out-of-Home Placement Spending Funded by County Dollars, Selected Counties**

	Percentage of 1997 Placement Spending Funded by County Dollars
<b>Highest five counties</b>	
McLeod	79%
Wilkin	76
Dakota	75
Waseca	73
Sherburne	70
<b>Lowest five counties <sup>a</sup></b>	
Blue Earth	42%
Cottonwood	42
Traverse	42
Freeborn	35
Clearwater	33

<sup>a</sup>The lowest county was actually Red Lake County at -41 percent. Because the data is reported on a cash basis and some revenues are distributed to counties in lumps (rather than continuously), the Social Services Expenditure and Grant Reconciliation reports can produce county revenue numbers that appear to not make sense, especially for small counties.

SOURCE: Department of Human Services’ Social Services Expenditure and Grant Reconciliation (SEAGR) reports.

<sup>20</sup> Minn. Stat. §256E.06.

<sup>21</sup> Minn. Stat. §256E.01 - §256E.15.

This wide variation reflects several factors. First, counties vary in their ability to access federal Title IV-E and XX funds and state CSSA funds. Because the distribution of these funds is partially dependent on the level of poverty in each county, counties with more people in poverty will receive more funds from the federal and state governments. Some people also told us that counties might not always pursue Title IV-E funding when a placement is eligible to receive it. Second, if a county places a lot of children who are not in poverty, it will finance a higher proportion of the spending with local revenues because these placements are not eligible for Title IV-E funding. Third, counties vary in the types of placements that they make. If a county places children in public institutions with more than 25 children, the placement is not eligible for Title IV-E funds. In addition, Title IV-E does not cover the treatment component of a placement. Finally, if a county has a high overall level of placement spending, it may finance a higher proportion of placement costs because Title XX and CSSA are fixed block grants and not open-ended entitlements.

## FAMILY PRESERVATION SPENDING

**Like placement spending, family preservation spending varies significantly by county.**

Counties have developed family preservation programs (1) to help them prevent out-of-home placements and (2) as alternatives to placements. Therefore, to provide context for our analysis of placement spending, we examined family preservation spending.<sup>22</sup> According to the data reported by counties to DHS:

- **Minnesota spent \$158 million on family preservation services in 1997.**

County family preservation spending varied widely, ranging from \$37 per resident under age 18 (Houston) to \$236 (Hennepin). We found that counties with high family preservation spending generally had high levels of out-of-home placement spending, too, as well as high levels of poverty.<sup>23</sup> Thus, county differences in family preservation spending often appeared to reflect differences in underlying service needs. However, the level of family preservation spending sometimes also reflects a county's philosophy and practices about providing family preservation services. For example, Olmsted County strongly emphasizes family preservation over out-of-home placements. As a result, its family preservation spending per resident under age 18 was 15 percent above the statewide average in 1997 while its placement spending was 39 percent below average.

<sup>22</sup> We used data from DHS's Social Services Expenditure and Grant Reconciliation reports and a broad definition of family preservation programs which includes, among others, community education and prevention, child protection assessment, group counseling, family-based counseling services, general case management, and mental health day treatment. These are the services that counties may support with revenue from the state's Family Preservation Fund. This list of services goes beyond the core family preservation programs of family-based crisis, counseling, and life management services to include 18 other services. (See Department of Human Services Bulletin #98-32-6, "DHS Issues Information on the Closing of EA-IFPS and on the New Family Preservation Fund Remittance Advice," April 1, 1998.) However, we excluded from this list the three services for people with developmental disabilities. Also, we did not include services funded by Medicaid.

<sup>23</sup> The correlation coefficient between 1997 county family preservation spending per resident under age 18 and poverty level was 0.40, and the coefficient between 1997 county family preservation and placement spending per resident under age 18 was 0.53.

On the funding side, we found that:

- **In 1997, counties provided 43 percent of the funding for family preservation, while the federal government provided 39 percent and the state provided 16 percent.**

Thus, counties contributed a significant share of family preservation revenues, but not as much as they contribute to out-of-home placement revenues.<sup>24</sup>

## SUMMARY

Overall, out-of-home placements cost about \$225 million in 1997, and inflation-adjusted placement spending increased by 22 percent per resident under age 18 between 1992 and 1997. However, placement spending and trends vary widely among counties. Out-of-home placement spending per resident ranged from \$25 (Red Lake County) to \$322 (Hennepin County). Some counties reduced their placement spending between 1992 and 1997, while costs in some other counties more than doubled. Some of the variation is related to the service needs of the counties, and some of it is explained by the placement philosophies and practices of the counties. Correctional facilities experienced the highest growth in spending between 1992 and 1997, while foster care spending grew much more slowly. We also found that county revenues pay for most out-of-home placement costs in Minnesota, which appears to differ from practices in most other states.

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<sup>24</sup> The portion of family preservation funding provided by the counties ranged from 0 percent (Cass and Clearwater) to 60 percent (Stevens).