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Appropriations Committee October 9, 2026  
Rough Draft

**ARMENDARIZ:** Good morning, everyone. It's 9 a.m. And we'll start the hearing for LR452 this morning. And welcome to the Appropriations Committee. My name is Christy Armendariz. I represent Legislative District 18. I am the vice chair of the committee. I will start off by having members do self introductions, starting with my far right.

**PROKOP:** Thank you very much. Good morning, everyone. Jason Prokop, State Senator, Legislative District 27, which is west Lincoln in Lancaster County.

**PROKOP:** Loren Lippincott, District 34.

**STROMMEN:** Paul Strommen, District 47, which is the Panhandle.

**ARMENDARIZ:** Thank you. And assisting with the committee today is Cori Bierbaum, our committee clerk. If you are testifying today, please fill out a green testifier sheet located in the entrances of the room and hand it to the clerk when you come up to testify. To better facilitate today's hearings, I ask that you abide by the following procedure. Please silence your cell phones. When you come to testify, spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to 5 minutes or less. Written material may be distributed to the committee members as exhibits only while testimony is being offered. Please be sure to have your 12 copies. Hand them to the clerk for distribution when you come up to testify. We do not accept oversized exhibits, CDs, thumb drives, or other electronic exhibits. Today we have an LR, so it's a little bit different. We have invited testimony only. We do not have proponents or opponents. The list of testifiers, just so you guys can plan when you're coming up, or for those at home to plan who's coming in what order: Gene Cotter, the Nebraska State Probation Officer, will be right after Senator Spivey's introduction; then Monika Gross, Nebraska Foster Care Review Office; Allison Derr, Nebraska Appleseed; and John Meals, Department of Health and Human Services; and then we will conclude with Senator Spivey's conclusion or if there are any questions that she'd like to follow up on. And with that, we would end the hearing. So with that, we'll begin the hearing on LR452. Senator Spivey.

**SPIVEY:** Thank you, Vice Chair Armendariz and esteemed members of the Appropriations Committee. I am Ashlei Spivey, A-s-h-l-e-i S-p as in Paul, i-v as in Victor, e-y, representing the best district, District 13, in northeast and northwest Omaha. Yes, I did say that, Senator

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Strommen. So I am excited to sit in front of you all today to bring LR452, which I think for me is a cumulation of conversations that we've had together over the last 2 years. We know that we are in tight fiscal times and we sit and wrestle together as an Appropriations Committee around the dollars and resources that have outsized impact for Nebraskans. And one of the things that has been hard for me to really grapple with or get my arms around is some of our most complex youth that are navigating very tough circumstances. We know that we have young people both in the child welfare system and the juvenile justice side that are needing more complex and intensive care. We are appropriating those services, yet it's unclear around how we still are arriving to the same outcomes that we are, I think, in my opinion, have a strong opportunity to better serve them through stronger resources, the effectiveness of those resources, and the collaboration of agencies. And so usually this conversation is either held solely in Judiciary, solely in HHS. Committee, committee members talk. And I was like, well, you know, what if we started with the money? What if we started with understanding how we are appropriating in the structure of these dollars, which really guide the resources, and see how that ripples into the actual services and the effectiveness of these agencies to better support these young people? And so, that is why this is in Appropriations. I really wanted to get a better handle on the structure of the dollars, how we are leveraging federal funding, and then what does that look like as we are supporting our young people. And so, that is the purpose of this LR today. We will hear from Probation as they talk about their structure, what their dollars look like, how they've been looking at these youth that are in both systems. We have Monika here that will-- from Office of Foster Care Review that is really monitoring the outputs and outcomes of these young people, which I think is important for us to ground in. We want to make sure that as we are appropriating money and as this conversation will continue to come up in the next biennium, us having a better understanding of where these young people are and how we can best organize resources, I think, is going to be really helpful for us. We have Appleseed that is specifically going to talk about IV-E funding and so when we talk about federal funding and how we can leverage more federal dollars, which our executive branch is a, a proponent of, how can we do that, what does that look like, and how do we continue down that path. And then lastly, from HHS, the other responsible agency that is managing the support and success of those young people. And so, again, I'm excited for this reframe of the conversation and be able to start with Appropriations Committee, and I

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would be happy to answer any questions or thoughts that you have before we get started with the testifiers.

**ARMENDARIZ:** Thank you, Senator Spivey, and for those listening and not watching, we have Senator Dorn, Dorn joining us, and Senator Machaela Cavanaugh joining us as well. Any questions from the committee? I have one question.

**SPIVEY:** Yeah.

**ARMENDARIZ:** So I-- you, you've briefed me just slightly on this. Do you have-- and I'm really about creating efficiencies, and let's better focus the dollars, and no overlap. Do you have a preference of where-- in your research, of where we might augment some dollars in one side over the other, or--

**SPIVEY:** Yeah. So I've had initial conversations with both HHS and Probation, around what their funding looks like and where there's some overlap. I think the first opportunity is how we continue to leverage IV-E funding and that there are some opportunities around that efficiency to draw down more federal dollars that would really support on the child welfare side, which is HHS, which then would help to augment on the juvenile justice side. And then both agencies, we've had conversations. We already actually have a meeting set up after this to talk about policy, which I think is really important and shows the collaboration that these agency directors want to have. We know that out of this hearing, there will be some changes in legislation around how we can better support the funding, and they have already committed to having those conversations. We have time protected. And so I don't want to get ahead of that meeting to say like, this is my thoughts, but just that all of the parties are very interested in finding efficiencies while ensuring-- which to me is most important-- that these young people can be successful. Because we don't want to get to a place where we have to make cuts to services and programs, which then doesn't allow for these folks-- these kids to come back into community and be successful, because we know that juveniles has, has the biggest opportunity for rehabilitation. And so, we've already started some of those. There will be some information that comes out, but I want to make sure that I, I honor the space of the agencies having that conversation with me.

**ARMENDARIZ:** Any other questions come up from the committee? I just wanted to follow up with the IV-E funding if we draw more of that down. Is there a mandatory match from the state?

**SPIVEY:** It depends on some of the formula and how it's used. And so-- and in your packets, what's in front of you-- I am not a IV-E expert. I had a crash course and I'm like, whoo. I'm still trying to wrap my mind around it. And so in the packets that we prepared for you, (1) there is a language bank, because there's a lot of acronyms, as we know, in all agencies, so we can make sure we're speaking the same language. But we have an overview of IV-E funding, and Appleseed prepared information around where there are opportunities for us to continue to leverage. Outside of child welfare, there-- with IV-E funding and federal funding in general, we could draw down more as Nebraska, so not just in this specific area, but in general, we can draw down more federal funding, which would help in certain areas and agencies, too. And so, I do think there is a larger conversation that Appropriations will have around how we're looking at federal funding, what's available to us, how do we draw that down, and then how do we leverage that in specific agencies where we know that we have to have a match or not.

**ARMENDARIZ:** I, I appreciate that. Senator Cavanaugh.

**M. CAVANAUGH:** I believe that IV-E funding, an increase in IV-E funding would be a decrease in state-obligated funds for those services, so just throwing that out there.

**SPIVEY:** Yes. And we have an expert that would come and make sure that we can have the strongest understanding of IV-E funding. Because, again, I have a crash course, but I wanted to make sure that we have folks that are working on the front lines on this every day able to help us better understand. So again, we know what's in front of us as we start to continue to have hard conversations arou-- about our, our fiscal landscape.

**ARMENDARIZ:** OK. Thank you. If there's no more questions, we'll-- thank you, Senator Spivey.

**ARMENDARIZ:** Thank you, Chair.

**ARMENDARIZ:** And we'll have our first testifier, Gene Cotter, from the Nebraska State Probation Office. Welcome, Gene.

**GENE COTTER:** Thank you very much. Good Friday morning, Vice Chair Armendariz, members of the Appropriations Committee. My name is Gene Cotter, G-e-n-e C-o-t-t-e-r, and I am Nebraska's State Probation Administrator. I'd like to begin by thanking Senator Spivey for

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bringing this forward because this is a very important conversation. In 2013, the Legislature passed LB561, launching significant juvenile justice reform. Then, in 2016, created a juvenile probation services budget. The Administrative Office of the Courts and Probation has continuously, with a singular exception, remained within its general fund budget allocation, despite experiencing additional financial impact without requesting additional general funds. For example, in FY '22, the Legislature implemented a 15% provider rate increase, which was facilitated with no new general funds and within the current general fund budget, until fiscal year '25, when the Legislature gave us a one-time allocation. Additionally, in 2023, the Legislature supported a staff salary study and rate increase, but required the salary increases that were implemented come from within our current budget. In 2016 and 2025, the Auditor of Public Accounts conducted audits on Probation funding. In both of those reports, the auditor highlighted Probation was funding services that should have been leveraged-- leveraging federal funding available through the Department of Health and Human Services for crossover youth being served by both juvenile probation and within the child welfare system. In FY '26, Probation paid approximately \$5.9 million for services that were received by crossover youth, meaning that those youth that are court ordered to probation, but also in the care, custody, and control of DHHS. There are no specific appropriations or budget allocations targeting specifically crossover youth. The auditor also highlighted a need for more collaboration between DHHS and Probation in accessing other available federal funds, particularly Title IV-E claiming dollars. Despite historical collaborative difficulties, over the last several months, Probation has worked closely with DHHS and other state and national partners in identifying ways to draw down these identified available federal funds. Nebraska Revised Statutes 43-290 and 43-290.01 establish, quote, the cost of care and treatment and payment procedures for youth and families involved in the courts, end quote. What appears clear on the surface is less than so in application, especially when multiple cases are in play. 43-290's purpose is to, quote, promote parental responsibility and to provide for the most equitable use and availability of public money, end quote. There are questions regarding whether a court can actually require the custodian to expend personal resources, including insurance benefits, if the custodian refuses to do so. As highlighted by the auditor, many times, especially when dealing with finances, custodians are less than forthcoming with available financial income and resources. 43-290.01 establishes a payment structure for juvenile services for counties, Probation, and DHHS. In Section (1)(a), the

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county is responsible for paying for things such as detention, services, transportation, et cetera, prior to adjudication. In Section (1) (b), Probation becomes responsible from the time adjudication is made through their release from their term of probation. And in (1) (c), the Office of Juvenile Services is responsible when the juvenile is committed to OJS. In response to Section 3 of this LR, Probation establishes reimbursement rates through those established by DHHS, CFS, Medicaid, Developmental Disabilities, and those applied across behavioral health regions. Finally, I would be remiss if I did not alert this committee to what I believe is an increasing concern when it comes to accessibility of services for youth on probation. Over the last year, one in every four youth on probation has been in an out-of-home placement. And over the past year, as many as 65% of all kids that are in psychiatric residential treatment facilities are in states other than Nebraska. We continue to also lose accessible beds across the country. This becomes more troublesome when judges are reluctant to place youth in the YRTC's based on recent incidents. This means more youth are fighting for already limited resources within the community. So with that, I appreciate your time, and I am willing to answer any questions you might have.

**ARMENDARIZ:** Thank you. Any questions from the committee? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you for being here. To your last points, I thought perhaps could clarify for the committee that's not maybe as familiar. So the YRTC's, the Youth Rehabilitation Treatment Centers, are state-run facilities, and then we have facil-- PRTFs like Boys Town. And the difference between that is that our facilities are no eject, no reject. But Boys Town, they can decide who comes through the doors.

**GENE COTTER:** The YRTC is a no eject, no reject. However, we also have, like, Whitehall, which is a state-run--

**M. CAVANAUGH:** Right.

**GENE COTTER:** --P-- YR-- PRTF that is not a no eject, no reject. But to your point, yes, that is accurate. So Boys Town can make determinations, Whitehall, Immanuel, et cetera, can all make determinations as to whether you get to come, whether you get to stay, based on your behavior while you're there.

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**M. CAVANAUGH:** And so when our courts are hesitant to place youth in the care and custody of the state-run facilities, as you mentioned, recent incidences, specifically at Kearney, we run out of options of where to put these youth.

**GENE COTTER:** That is accurate. We, we find ourselves regularly, whether in that situation or not, looking for beds wherever we can find them. Sometimes, we end up having to resort to a, a higher level of care than what is perhaps recommended in evaluations. More times than not, however, we have to go to a lower level of care than what is recommended. So somebody may need a PRTF level, but it, it sometimes takes us months to get somebody into the level of recommended care. Sometimes they sit in a very expensive detention bed while we're waiting for those things. At other times, for example, they will go to a lesser, a lesser level of care to meet those needs, even though they've been diagnosed at, at this higher level. The first thing we do is we try to exhaust all in-state options. You know, that-- that's a little bit-- what I mean by that is if, if I'm in Senator Strommen's district, it may be closer for me to send somebody to, to Cheyenne, to Cheyenne or to Laramie, because it's a lot closer than sending them across the state to, to Omaha, but we try to, we try to exhaust Nebraska resources before we send people out-of-state. Any given time, we could have kids in 9 other states, however.

**M. CAVANAUGH:** And the 65%, I, I guess I was under the impression that we actually had been decreasing in recent years how many out of state placements we have. So is this a new increase or is this--

**GENE COTTER:** That, that figure pertains particularly-- specifically to PRTFs.

**M. CAVANAUGH:** OK.

**GENE COTTER:** So we have been able to reduce our overall out-of-state placement, but PRTF placement is because we do not have the available space in PRtefs-- P-- PRTFs in Nebraska. We just, within the last year, had to develop a new PRTF placement in the state of Pennsylvania, for example, because of the lack of available resources at that level of care in Nebraska.

**M. CAVANAUGH:** Thank you.

**GENE COTTER:** Thank you.

**ARMENDARIZ:** Senator Strommen.

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**STROMMEN:** How, how many kids are placed out-of-state? What's the total number?

**GENE COTTER:** Well, let's see. You know what, Senator Strommen, I don't have that exact number off the top of my head. I know that about 500-- we have about 2,000 kids on probation at any given time, and 500 of them-ish are out of-- out-of-home, but I can get you the exact number of kids that are out-of-state.

**STROMMEN:** OK. Yeah. I'd be curious because if a 65% increase has happened over the past year, I would just be interesting to know what that, that total number is.

**GENE COTTER:** Yeah. I can tell you that from a mathematical perspective-- and I'm a criminal justice person for a reason. The, the math has never been my strong suit. But we went from 67%, and we had to-- another thing that made the news recently was the closure of Provo Canyon in Provo. So we had to remove 13 Nebraska kids from both the boys and girls programs in Provo to bring them back to Nebraska, and that lowered us from 67% down to about 44%. So I can get you specific numbers on that, but that gives you a little bit of a, a picture of that.

**STROMMEN:** OK. OK. Follow up?

**ARMENDARIZ:** Sure.

**STROMMEN:** But-- and I guess to go along with that, what would the cost associated with that be?

**GENE COTTER:** Well, so in your packet, there is a cost of what like a PRTF per day is.

**STROMMEN:** OK.

**GENE COTTER:** So when we send kids to other states, one of the things that just on its surface, we're paying the same rate, the same Medicaid rate in Utah or Arkansas or Pennsylvania as we would be paying if they were in Nebraska. A lot of times those placement options out-of-state agree to pay for the transportation of the youth out there, but that is-- that does not account for things like-- we have historically tried to send probation officers to those facilities to check on the Nebraska kids to make sure that they know that the Nebraska kid-- that we haven't forgotten about them, to work with them, to reentry plan for them, et cetera. Because of budget

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situations, we've had to draw that back a little bit. We're now sending them quarterly and meeting with them by way of Zoom, those types of things, in the intervening months. But the part that that does not account for is that, that a lot of times eliminates families from being able to travel to participate in the treatment, to see their-- see and support their youth, those types of things. So to be able to just put a, a dollar on it from, from a funding stream, if you take out the work that Probation is doing to go meet with them, et cetera, you're not going-- you're going to see negligible differences between what the actual cost of the kid in treatment is, but it's all these ancillary expenditures that come after that, some of them that are actually not money-based that, that is where the real impact is.

**STROMMEN:** OK. So we don't have to pay a fee or anything to another state.

**GENE COTTER:** Correct. Correct.

**STROMMEN:** OK. All right. OK.

**ARMENDARIZ:** Senator Dorn.

**DORN:** Thank you. Thank-- and thank you for being here. And you kind of-- one of the questions I had was I thought we had a, a home that we were, out-of-state, putting some student-- or res-- children in, and-- through Probation. And, and you just talked about that at Utah, that we had to bring those back, where as we-- the funding part of this, through here or your conversation, we haven't increased your budget at all, but yet costs have probably gone up. So are we getting more federal funds? Because these are kind of all set, I call it-- and you talked about various states that the rates for that child here or in Texas is the same. It's just getting them there and other things. So what, what is, what is increased? Because unless you've had a bunch of, I call it extra money in your budget, which I don't think you probably had, somewhere that money has had to come from. So what-- could you talk about that a little bit?

**GENE COTTER:** So, when you talk about federal funds, federal funds is not something we have access to. We have to go through the Department of Health and Human Services, those like Title IV-E, other expenditures. So if you look at things like the auditor's report, about we should be leveraging, or if you look 43-290.01, where that criteria is set up, that is why we have historically tried to work very closely with DHS, because they have the federal funds available

to them. We occasionally will seek a grant or something like that. But as we know, when we go seek grant funding, a lot of times the grant helps set things up, but then we become responsible for carrying, carrying the cost of those programs forward. So one of the things that we continue to do is modify our internal practices. If you look at, for example-- this was something that happened before the auditor's report, but we try to make sure that we have ample oversight over our, our voucher expenditures. Over the General Fund allocations that we have, we leverage other, other available funds as we can. You know, the juvenile services budget is I think 70 and about 50 that is dedicated to, to the juvenile services. But things that we have-- continue to have to do is we have single case agreements, for example. So one of the things that you'll see is if a kid has a PRTF, a youth has a PRTF recommendation and we can't find them a place in Nebraska or elsewhere readily, without them lingering in a detention bed, for example, we will enter into single-case agreements, where a provider will come and say, well, that's not exactly this. But, you know, for example, we have a, a, a placement in the state that will say we will take that very high-risk kid that presents some pretty unique programs but we're going to need to assign 2 staff at all times to that kid. And so, that's the way we kind of navigate some of those things. We have also-- we regularly, we regularly participate in rate setting groups, with like--whether it be FCRO, whether it be through DHS-- D-- DB-- DBH, you name it. We have also, speaking of detention, we commissioned a detention rate study through the University of Nebraska Department of Economics a year ago, and it came back saying, currently, the reimbursement rate-- which we do not set, but we pay-- was about \$104 below what it actually is costing detention centers, and that is not all. There's 4 detention centers, and they have wide and varied, but the, but the settled on rate determined by the Department of Economics-- and I might have the department wrong, but it was-- we commissioned it through UNL-- says it's about \$104 per day lower than what it should be. So that would be a difference between \$162,000 a year in detention versus \$124,000 a year. We are always exploring new ways for funding, but from a federal draw-down perspective, that is not something we have available to us. That, that is all facilitated through DHHS.

**DORN:** OK. Thank you for that explanation, but maybe I misunderstood something. You don't set no rates. You just pay the rates. You, yourself or whatever. DHHS. So who, who ultimately sets that rate up, up here, say \$260 for this kid at, at-- tomorrow at, at XYZ?

**GENE COTTER:** So Senator Dorn, could we set rates?

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**DORN:** Yeah.

**GENE COTTER:** We could. But what we have found is what we don't want to do, especially with these dwindling resources, is set up a competitive system whereby, well, I'm going to take this kid over this other kid-- this other state youth who needs this service, because Probation is going to pay us this much more, and this-- and so we're going to take that kid. So we try to follow-- Developmental Disability sets their rate, so if we have a kid in a DD placement, we tend to follow that rate. If DBH establishes a rate, we follow that. If Medicaid sets a rate, we follow that rate. So, could we? Yes. As a matter of fact, a couple of years ago, we had an opportunity to go 2% above what Medicaid reimbursement was, but because of budget situations, because of whatever, we have actually had to retract that. And my bet would be if you talk to Navajo, if you talk to other providers, they would, they would certainly be much more capable of answering the are they really being reimbursed at the rate that they should be as opposed to what they're making, than what I am.

**DORN:** I don't know if you know this or not, but many of your-- the people that pick up your caseloads or whatever, or pick up your placements, what percent of their business is, I call it a state placement? Is it 10%, or is it a 100%, or any idea at all, or maybe somebody later can answer that question. I mean, because, you know, like nursing homes, if you're on-- if you're 75% Medicaid, you're probably-- Medicare, excuse me, you're not probably going to be financially well off. So, any idea?

**GENE COTTER:** I can go-- I can-- in no way could I go across all of the different placement options we have and give you that number right now, sitting here--

**DORN:** Right.

**GENE COTTER:** But I can certainly get it to you. I do happen to know-- we just took a tour of a, of a placement organization in Nebraska within the last couple months, and they've mentioned that they have 80 PRTF beds and 10 of them are dedicated-- are, are probation beds.

**DORN:** OK.

**GENE COTTER:** So in that one situation--

**DORN:** That's one, that's-- just one. OK.

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**GENE COTTER:** --and there are many, a very small--

**DORN:** Yeah.

**GENE COTTER:** --percentage are dedicated to our youth.

**DORN:** But they're, they're also, I call it more out-- they're doing more business than just from us-- from-- OK.

**GENE COTTER:** 100%. I mean, they're, they're working-- one of the things that was a little startling during that presentation was that they have more 5-year-olds in their programs than they do like 17-year-olds. And so, when you come-- when it comes to making decisions around am I taking these high-risk with, with potentially violent tendencies or more developed behavioral issues, mixing those populations becomes a little bit difficult, too, so there's a lot of considerations out there. This is a very deep subject.

**DORN:** Well, thank you for coming and giving some explanation on that. And we're-- Senator Spivey, you're trying-- said you're trying to wrap your thoughts around-- well, I've been here 8 years and I'm still trying to do that, too. So don't feel bad at all, or whatever. The people that understand this are involved with it. I really appreciate it. Thank you.

**GENE COTTER:** You betcha.

**ARMENDARIZ:** Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. The question that Senator Strommen had about seeing the kids that are out-of-state placement, you said that you do-- probation officers do quarterly visits?

**GENE COTTER:** We do monthly visits.

**M. CAVANAUGH:** Monthly visits.

**GENE COTTER:** However, it used to be that we were in every one of those facilities every month, meeting with every one of those kids. We still meet with them every month. However, we're meeting with them in person in January, then remotely in February and March, then we're back in the facility again in April, those types of thing. That-- that's something that's brand new within the last several months prompted by, by budget consideration.

**M. CAVANAUGH:** And as a result of that-- well, maybe in tandem with it-- how does that-- how do those placements interact with, like, oversight from our agencies? Like, does the Inspector General of Child Welfare also have oversight? Do they get complaints? My question mostly being I don't want happening to our kids that we send out-of-state what's happened to our kids here in Kearney.

**GENE COTTER:** Big answer here is if I go to the Provo situation, for example, they were not forthcoming with information with us about active investigations, things, complaints, reports, et cetera. I don't know this for certain. I would-- I don't know that Jennifer Carter or her office would have the ability to investigate the place in Utah. We actually were in Utah, physically meeting with every single one of those kids before the story broke, and were asking questions of the kids and the facility and all those things. Again, we were not getting worthwhile answers, so we have now-- we are in the process of changing our procedures for these out-of-state placements to ask those questions regularly. Are you under investigation? Is your license-- is there anything in jeopardy, et cetera, so that we can continue to monitor those things that way. Another one of the unintended consequences of having our kids out-of-state: we have the Nebraska facilities that we're in all the time. We're in them weekly. Sometimes we might be in them daily, so we're interacting with our kids within those state-- those state-run programs regularly. I would even-- I don't know this with 100% certainty, but if I'm going from Scottsbluff to Laramie, Wyoming or to Cheyenne, you know, it's the 75-- it's an hour trip. We're probably in those facilities that are really close with more frequency than what we're able to be in in Pennsylvania and Arkansas and Utah and Arizona.

**M. CAVANAUGH:** Thank you.

**GENE COTTER:** You bet.

**ARMENDARIZ:** Any other questions from the committee? Thank you for your testimony.

**GENE COTTER:** Thank you. Senator Armendariz, there is some answers to the questions you were asking earlier in the--

**ARMENDARIZ:** OK. Perfect.

**GENE COTTER:** --in the information that we submitted, too.

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**ARMENDARIZ:** OK. Thank you. Our next testifier will be Monika Gross from the Nebraska Foster Care Review Office. Welcome.

**MONIKA GROSS:** Thank you. Good morning, Senator Armendariz, and members of the Appropriations Committee. My name is Monika Gross, M-o-n-i-k-a G-r-o-s-s, and I'm the executive director of the Foster Care Review Office. The Foster Care Review Office is the independent state agency responsible for overseeing the foster care system by tracking, reviewing, and reporting on cases of children in out-of-home care in Nebraska. The FCRO's oversight takes place on 2 levels: the individual case level and the systemic level. Individual case files are reviewed with the needs of each child in mind. If the system doesn't meet those needs, the FCRO advocates for the best interest of the individual child. Simultaneously, data is collected from every case review and it's used to create a system-wide view of trends, successes and challenges in child welfare-- and I would add juvenile justice. In fiscal year '25-26, the FCRO tracked information regarding the experiences of 6,787 children who were removed from their homes and placed in state custody, care, or supervision through the child welfare or juvenile probation systems. Our independent data system, known as the foster care tracking system, tracks every episode in care, placement change, and worker change. It also tracks relevant court information for each child. This allows us to analyze large-scale system changes. Cases are reviewed by local citizen review boards-- all volunteers-- that meet monthly. In fiscal year '25-26, 325 local review board members, serving 54 local review boards, conducted 4,147 reviews of cases involving 3,180 DHHS wards in out-of-home care and 243 reviews of 226 youths in out-of-home care supervised by juvenile probation. Data collected during the review process is aggregated at the end of each fiscal year and reported in our annual report submitted to the Legislature on September 1. In addition, quarterly reports containing point-in-time data are submitted to Legislature on December 1, March 1, and June 1 each year. The reports include recommendations for the Legislature, DHHS, Probation, and the courts. One population of youth tracked by our office is the dually-involved youth population. These are court-involved youth in out-of-home care who are simultaneously involved with the child welfare system and the juvenile justice system. In fiscal year '25-26, the FCRO rev-- reviewed 143 cases of youth who were dually involved at the time of their review. On June 30, 2026, there were 173 dually-involved youth in out-of-home care or trial home visit in Nebraska, making up 4.4% of the total children and youth in out-of-home care. Over time, our data has shown that

dually-involved youth tend to have worse outcomes than youth involved with DHHS or Probation alone. Dually-involved youth spend more time in out-of-home care, a median of 511 days. They have the highest average number of lifetime placements at 9.7. 43.4% were in a congregate care setting, and of those youth, 15.6% were in a correctional setting, and 22.7% were placed in a psychiatric residential treatment center. Of those placed in a PRTF, 70.6% were placed out-of-state. 10 of the dually-involved youth were missing from care on June 30, 2026. 59% of the dually-involved youths were boys and 41% were girls. While the number of dually-involved youth in out-of-home care fluctuates from one quarter to the next, over the last 2 years, we've seen the number of dually-involved youth trending upward. The most recent point-in-time data shows a 17.7% increase over the previous quarter. All 5 of the DHHS service areas experienced an increase over the previous quarter. For cases that were reviewed in, in fiscal year '25-26, dually-involved youth had less favorable outcomes. 69.2% changed schools, due to the most recent out-of-home placement, and only 38.8% were on target in all of their core classes. Significantly, 90.9% of the dually-involved youth had a mental health diagnosis. However, only 53.1% of those with a diagnosis were making at least partial progress on improving their mental health. 39.9% had a diagnosed substance use issue, with only 49.1% making progress with their substance abuse. Less than half, 46.2%, had a primary permanency plan of reunification or family preservation. Thank you for the opportunity to speak with you today, and thank you for your concern for children and families. I have a, a lot more data in my annual report. And I-- in your handouts is a copy of the entire dually-involved youth section from our current annual report.

**ARMENDARIZ:** Thank you.

**MONIKA GROSS:** I'm happy to answer any questions.

**ARMENDARIZ:** Any questions from the committee? Senator Dorn.

**DORN:** Could, could you explain what, what, what age are all of these kids? Do they get-- or in other words, do they get, at 21, are they automatically out of the system? What year-- or how young do we have kids in the system and stuff like that?

**MONIKA GROSS:** Well, for the-- with the juvenile justice system, it would start at age 11, due to recent changes in the law. Our data, we tend to-- with our review data, we start at age 13-18. So in Nebraska, the age of majority is 19. So all of this data that we have goes from

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0-19. But with just that juvenile justice population, we don't, we don't include anybody that's younger than age 11.

**DORN:** The 6-- the 69-- oh, I forget what number-- [INAUDIBLE]-- 69. Of those kids, what-- the greatest percent of that population is made up of 11 and-- 11-19? Or, or what-- break that down a little bit. How, how many, I call it real young kids are in this?

**MONIKA GROSS:** The, the data that I presented, there wouldn't be any under the age of 11. So we have additional data on children, well, as young as infants. We have additional data in our annual report, but this particular data only includes that older youth population, because that's, that's who is being served by Probation.

**DORN:** What, what happens when they age out at 19, or what, what-- are they just out here and dropped off the cliff, or what--

**MONIKA GROSS:** Well, we have programs, we have programs, including the Bridge to Independence program, which is the extended foster care program--

**DORN:** Yeah.

**MONIKA GROSS:** --for 19 through up to age 21. And then, there are some other programs that are available to, to help youth up to age 26. And I think youth who age out of foster care at 19 are eligible for Medicaid until age 26, just as if they were on their parents' insurance until age 26.

**DORN:** Thank you for being here.

**ARMENDARIZ:** Senator Strommen

**STROMMEN:** How, how many children are in total? Maybe you don't know this, and it sounds like it fluctuates, but how many children total are in the foster care system?

**MONIKA GROSS:** Statewide, there are-- well, as of June 30, 2026, there were 3,954 children statewide in out-of-home care or a trial home visit, which means they're-- they, they were removed from their parent, they returned to their parent's home, but they remain wards of the state and the-- they're-- the court retains jurisdiction. So, you know, they're still under supervision.

**STROMMEN:** OK.

**MONIKA GROSS:** And of those, 173 are this dually-involved population, served by both the probation system and the DHHS system.

**ARMENDARIZ:** Senator Prokop.

**PROKOP:** Thank you. So I'm looking at the data around placement changes resulting in school changes, and I see statewide, almost 70%, which is a pretty shocking number as far as changing schools. 2 questions: one is, do you have that broken down by grade level as well? Do you do an additional-- just because it's dramatic, you know, between-- talking younger kids versus maybe a little bit older kids? And then 2, just interested in any information about what type of coordination is done with the schools as that-- those kids are, are being moved, because I-- you know, that's a, that's a pretty dramatic change for, for a young person and what's-- how does that look so that they're set up for success in their school?

**MONIKA GROSS:** So we don't have it broken down by, by grade level. What, what causes those school changes is, is placement itself. So if they're going into a, a facility, for example, it may not be in their local community. It may be in a different community. Even foster homes in-- especially in the rural parts of the state are not always in close proximity to where the parents live, so that causes a school change. I think the-- the result is it, it impacts their learning, obviously. It impacts their academic outcomes and that's something that we are trying-- the state of Nebraska is trying to remedy through the program that the Department of Education is implementing with the state-wide academic record, so that the Department of Education is tracking their credits while they're moving from facility to facility or placement to placement, even out-of-state, so that those youth would get credit for the work that they're completing while they are in those facilities, and that has not always been the case in the past.

**PROKOP:** And just quick, how, how, how is-- how does the communication take place with the schools then, so as they're knowing, you know, child A, B, C is come-- you know, what kind of things that they're coming in. How does that work?

**MONIKA GROSS:** Well, I'm not sure that I'm the best person to answer that, but I can, I can tell you from the experience I had working through that LB296 process and the Bellwether process that it's not always good communication.

**PROKOP:** OK.

**MONIKA GROSS:** That it was happening through paper in a lot of cases--

**PROKOP:** Yeah.

**MONIKA GROSS:** --faxes going back and forth, and there wasn't always prompt replies.

**PROKOP:** Sure.

**MONIKA GROSS:** And so, it-- communication was a significant issue.

**PROKOP:** OK. Thank you.

**ARMENDARIZ:** Any other questions from the committee? I have one comment to follow up on Senator Prokop's. My brother was assigned to the Omaha Home for Boys, which is in north Omaha, where we grew up. But he was redirected to their high school during the time he was there. Then he got out less than a year later, had to find another high school, so they do move them around. Thank you for your testimony.

**MONIKA GROSS:** Thank you.

**ARMENDARIZ:** Now we will invite Alison Derr, from Nebraska Appleseed. I hope I said that last name correct.

**ALLISON DERR:** You did. Thanks. Good morning. My name is Alison Derr, A-l-l-i-s-o-n D-e-r-r, and I'm with Nebraska Appleseed, which is an advocacy organization that works in part to improve Nebraska's child welfare system. And the intention of my testimony is just to solely focus on Title IV-E, child welfare funds, to ensure that as this committee is considering using IV-E to help support cross-system young people, it has a good foundational understanding of IV-E and Nebraska's historic use of it. So IV-E is the largest and primary source of federal child welfare funds, helping states fund their foster care systems. It covers things like foster care maintenance payments, foster care prevention services, administrative costs, and more. And helpfully, IV-E is an open-ended entitlement program, meaning it is, in theory, unlimited. And so long as the state meets federal requirements and the federal government agrees an expense is eligible, states are entitled to be reimbursed for a portion of what they spent on child welfare things. But historically, it's important to know that Nebraska's use of IV-E has been very low, especially compared to other states. And you'll see in my written testimony, I

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have a couple statistics. I'll highlight maybe just a few, which is to say that in fiscal year '23 and fiscal year '24, Nebraska had the lowest rate of IV-E usage in a number of measurements. For example, in fiscal year '24, we had the lowest rate of foster care maintenance payment use at 10%, with the state average being 33% and the highest state's usage being 82%. So that is a big difference. And in our experience, that difference in low use has been a perennial conversation and issue among both state and national child welfare experts. And in fact, over the last 10 years, at least 6 separate evaluations of Nebraska's child welfare system commissioned by this Legislature, the department, and the state have pointed to Nebraska's low use of IV-E funds as an issue and concern. And most recently, in 2024, Epiphany Associates' assessment of Nebraska's just general spending pointed to our low use of IV-E funds as a significant missed opportunity, and one where we could save \$10 million if we were to draw down more funds. And the department agreed with that take just last year, before this committee. I think it is important to point out that Nebraska's use of IV-E has been steadily increasing over the past 10 years, which is great, and the department has taken some really significant and, and notable positive steps, especially in the past year, in regards to prevention funding with IV-E. There's also a lot of justifiable reasons why expenses would not be eligible for IV-E drawdown. And we've heard the department, I think, really earnestly say they're doing everything they can with IV-E. But even with all of that said, because the difference between Nebraska and other states is, is big, I do think maybe there is something we might be missing. And in relation to this interim study, young people who are cross-system may be an example of an opportunity that we're missing. And as already been said today that Auditor's 2025 Report on Probation did find that IV-E is a source of funds that Nebraska is missing in drawing down to support these young people, and we understand that those are funds that state could use to support those young people. There may be some justifiable reasons why the state hasn't done that so far, but the auditor did find that's partially because Probation and the department weren't cooperating. And so, to know that at least some of the reason we're not using IV-E funds is because state agencies aren't cooperating, it does feel a little bit frustrating and I, I do think warrants some questions and work by this committee to just triple check that we, as a state, are, in fact, doing everything we can within our control to draw down IV-E dollars. And maybe we are, but it is worth triple checking. The last point that we wanted to make-- it's a bit of a side but related note. We did see that the auditor's report suggested that the state requires families to pay for

more of the services that they're receiving while in the juvenile court system. And we just wanted to remind this committee that well over the majority of young people and families in these systems are low income, and a lot are in the system because they're low income. We hear from families all the time that they come in the system poor and leave the system poorer. So to the extent the state is going to require families to draw on all of their available resources to pay for services, we think the entities in charge of caring for those families should also be drawing on all of their available resources, like IV-E, to ensure that cost burden on families is not too high. So in conclusion, as this committee is thinking about using IV-E to support cross-system youth, we encourage it to continue asking questions of the department and state, ensuring we're using all of those funds and the cost burden on the state and families is not too high. Thank you for your time.

**ARMENDARIZ:** Thank you for your testimony. Any questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you. I-- and you might not know this, but you talked about the auditor's report and the due to lack of cooperation between Probation and the department. Do you recall what that meant, [INAUDIBLE] lack of cooperation?

**ALLISON DERR:** My reading of the auditor's report, I, I don't believe the auditor described in detail, other than there was a lack of a contract between Probation and the department, because as already been shared, the department is in control of IV-E funds. And so, the auditor's report shared that there needed to be a contract between Probation and the department to allow the department to give Probation those IV-E funds. I don't know much more than that. That would be a good question for the department.

**M. CAVANAUGH:** Thank you.

**ARMENDARIZ:** Senator Strommen.

**STROMMEN:** That's me.

**ARMENDARIZ:** I wanted to say something more, but-- Senator Strommen.

**STROMMEN:** The-- are-- is there a matching requirement on any of these funds?

**STROMMEN:** There is.

**STROMMEN:** And what-- what's that percentages?

**ALLISON DERR:** Yeah. So it depends on the type of IV-E expense. There's different categories. I think the helpful thing to first understand is that IV-E is reimbursement, and so the state has to, to pay for child welfare things-- expenses first, and then it submits to the federal government to be reimbursed. The general IV-E reimbursement formula is 2 different figures, as I understand it. The first figure is a set percentage, and so some things are 50%, as kind of a baseline. Other things are connected to the FMAP. I think Nebraska's-- I could be wrong and I hope the department corrects me-- I think is 54%. So some things 50%, some things 54%, from the front end, and then as high as 75% for some administrative cost. And then you take that set percentage, and it's times by how many young people in our system are IV-E eligible. So-- which is complicated. But essentially, you would take the set percentage, like 50%, times how many people in our system are IV-E eligible, and then that is the percent of reimbursement the state would receive, generally. The complicated piece there is something that is outside of the department in Nebraska's control is how many young people are eligible for IV-E. For some IV-E expenses, young people have to be considered low income, and that low income amount was set in, I believe, 1996, and hasn't been raised. And you can imagine with inflation, that is extremely low. And so, year by year, less and less young people are IV-E eligible because of that income limit, and that's something outside of the department and Nebraska's control. And so, that is, is something that will continue to reduce the percentage of reimbursement and increase the percentage of match funds by the state, year-to-year.

**STROMMEN:** Is, is that low income based on poverty level? Is it like 170 or 100--

**ALLISON DERR:** In 1996.

**STROMMEN:** OK. So it's a 1996 level?

**ALLISON DERR:** Yes. But each state had to choose in-- it was connected to the ADC levels that states had chosen in 1996. So it was a choice Nebraska made, but in, in 1996. And I-- off the top of my head, I think our level from 1996 is maybe the 17th lowest of all of the states, so we're, you know, kind of in the middle to the low end in a positive way, but that is one thing that can vary from, from state to state and certainly affect The level of match between the state and the federal government.

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**STROMMEN:** OK. Thank you.

**ALLISON DERR:** And again, I, I, I hope the department corrects me if any of those numbers were wrong. That's what I know, in theory.

**ARMENDARIZ:** Any other questions? Thank you--

**ALLISON DERR:** Thank you.

**ARMENDARIZ:** --for your testimony. With that, we'll have our final testifier, John Meals, from the Department of Health and Human Services.

**JOHN MEALS:** Good morning, Chair Armendariz and members of the Appropriations Committee. My name is John Meals, J-o-h-n M-e-a-l-s, and I'm the chief financial officer for the Department of Health and Human Services, here to testify on LR452, examining cross-system services between child welfare and juvenile justice. Since the passage of LB561 in 2013, the Office of Probation Administration has been responsible for most juvenile justice supervision and services while the department remains responsible for child welfare. Youth who are dually involved are served by 2 systems, each with its own funding rates, rules, and court dockets. The department funds support for child welfare youth primarily through Program 354, Child Welfare Aid. In state fiscal year '26, child welfare aid was appropriated approximately \$251 million, of which \$183 million was state general funds, \$68 million was federal funds. Nebraska's September 2026 Title IV-E foster care penetration rate is 27.3%. Within child welfare aid, the department pays education and transportation costs for students who are wards of the state or of the court through the State Ward Education Fund. How costs are shared largely depends on a youth's legal status. When a court places a youth with the department or commits a youth to its custody, the department pays. When a youth is under Probation supervision, Probation pays, and counties pay before adjudication, which would include detention. For dually-involved youth, Nebraska Revised Statute 43-290.01 assigns costs according to the stage of the case. The department is often paying for decisions it does not make. State Ward Education Fund is the clearest example of this. State law makes the department the payer for the education and transportation of students who are wards of the state or of the court. Most of these rates are set by the Department of Education. In fall of 2025, the funds served 741 students, 609 of which are wards of the court, 46 are wards of the state, and 86 were dually adjudicated court and state wards. Court wards accounted for approx-- or over 90% of the

students and over 80% of the funding. Federal funding, the primary source-- as been previously mentioned-- for child welfare population is the Title IV-E foster care, Title IV-E prevention services under the Family First Prevention Services Act, or FFPSA, Title IV-B, and then Medicaid. Title IV-E is limited for probation youth for a couple reasons. First, federal law does not allow it to pay for youth in detention or other secure settings. Second, because the department is the only IV-E agency, placements that Probat-- Probation arranges and pays for do not currently qualify. While DHHS Division of Children and Family Services always attempts to place within the least restrictive and home-like setting possible, congregate care facilities, including psychiatric residential treatment facilities, or PRTFs, are considered a last resort. For youth in child welfare, welfare system, we have less than 4% in congregate care, while the national average is 12%. The department is reviewing opportunities, including a Title IV-E agreement with Probation, expanded prevention services, and a more robust continuum of care pathway for high-acuity youth. Lastly, regarding reimbursement, the department sets rates for child welfare providers. The 17% service rate increase was implemented in fiscal year '23, followed by additional increases that were funded by the American Rescue Plan Act, or ARPA funding, in fiscal years '24 and '25. The department has sustained those increases even with the ARPA funds expiring. Thank you for your time, and I'm happy to answer any questions you have for me.

**ARMENDARIZ:** Thank you. Any questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thanks for being here. I recognize that you are not the head of child welfare.

**JOHN MEALS:** I appreciate you recognizing that. I will do my best.

**M. CAVANAUGH:** So-- yes. I will try to keep my questions to fiscal questions.

**JOHN MEALS:** That's good.

**M. CAVANAUGH:** So OK. First you said IV-E foster care penetration rate is 27.3. Can you dumb that down for me? What does that mean, penetration rate?

**JOHN MEALS:** So the previous testifier was talking about, you have the full child welfare population and then there's the portion of them

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that are eligible for IV-E. So the penetration rate means of all of our population, 27% of them are eligible for IV-E.

**M. CAVANAUGH:** Oh, OK. So it's not that out of a 100 that are eligible for IV-E, but only 27 are getting it.

**JOHN MEALS:** Correct. It means if we have 100 kids, 27 are eligible.

**M. CAVANAUGH:** OK. Thank you. That, that-- because I was like, oh, that's not good. So-- and then you mentioned-- I had a question already about a contract with Probation, but you said the department is reviewing opportunities, including an agreement with Probation. So it sounds like this lack of agreement with Probation is one of the stumbling blocks to drawing down IV-E. Can you give us some sense of how that's happening, or what the progress is on--

**JOHN MEALS:** Sure.

**M. CAVANAUGH:** --on rectifying that?

**JOHN MEALS:** So--and again, I've been in some of these meetings. I know members of Probation have been in them. We've been having them, I think they're either monthly or every other month-- Probation would know better-- for about a year or so, trying to work on a, a IV-E agreement. Some of the issues that I would, I would point out and why they're not typically eligible--

**M. CAVANAUGH:** Yeah. I saw those. I guess-- I'm not concerned about when they're not eligible. It's more if there's not an agreement, then they can't get the funding.

**JOHN MEALS:** Correct. So we're, we're working through that, helping them design a IV-E plan that we can submit to the feds that then their placements would be approved. Because we're the IV-E agency.

**M. CAVANAUGH:** Right.

**JOHN MEALS:** So if Probation is the only one doing the placement and we're not involved, then they're inherently not IV-E eligible. So we have to be involved. So if we have an agreement in place--

**M. CAVANAUGH:** Right.

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**JOHN MEALS:** --then it is theoretically possible for them to be-- there's other requirements that would have to be met, but an agreement is kind of step one.

**M. CAVANAUGH:** So again, I know you're not the head of Child Welfare, but how long have we been not having an agreement? Because as we've seen, at least in our 8 years, we have always been behind on IV-E funding, and this seems-- I didn't actually realize that we were also behind-- we didn't have this happening with Probation, so obviously--

**JOHN MEALS:** We're working through it with Probation as quickly as we can. I mean, as soon as those conversations are resolved and we come to an agreement on how we do this, then it shouldn't be much longer.

**M. CAVANAUGH:** So is this a long-standing issue, I guess, is my question.

**JOHN MEALS:** Yes.

**M. CAVANAUGH:** OK. I have some other questions, but maybe others--

**ARMENDARIZ:** Go-- any other--

**M. CAVANAUGH:** OK. So we had-- we've heard about having a consult-- consultants came in and they said that-- Epiphany, that one of the main things is IV-E funding. And, and I was like, yeah, it is-- sure is. Have we seen any gains in IV-E funding drawdown and, and what role have they played in helping facilitate those gains?

**JOHN MEALS:** They've helped us analyze, you know, different opportunities. Again, we've worked with Probation on some of these opportunities. We've had our own consultants. Don Winstead is an expert with ACF that I know that we've worked with. So.

**M. CAVANAUGH:** Sorry. Could you say that again?

**JOHN MEALS:** Don Winstead, he's a-- an ex-Fed that we've been working with to help understand ways that we can increase IV-E claiming from ACF. The previous testifier mentioned it, but I just-- I want to give an example of what is probably the biggest deterrent to this, is the AFDC rule from 1996. Just to give an example, like a family of 3, the income requirement to, to be IV-E eligible is \$492 a month. And if you are above that, then you are not IV-E eligible for a family of 3 in Nebraska. And again, there's-- that was based on 1996, 30 years ago.

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There's-- we'd love if we could get ahold of the feds and change that, but there's not much that we can do about that, so.

**M. CAVANAUGH:** OK. Yeah, that's pretty low.

**JOHN MEALS:** It is.

**M. CAVANAUGH:** I think that's lower than TANF.

**JOHN MEALS:** Well, it-- it's based on-- that's-- AFDC is the original ADC program from 1996.

**M. CAVANAUGH:** OK. So-- trying to think of how to ask this question. So we-- I guess-- I like to, especially since I'm going to be gone in a couple months, give some historical context to our IV-E funding. But I know you were-- you have only been in this position for a few years.

**M. CAVANAUGH:** 6 years, but yes.

**M. CAVANAUGH:** 6 years. Oh. Well, then you might know this. So we-- one of the reasons that we changed gears in 2019, and, and went with St. Francis Ministries and eliminated our contract with Promise Ship was that there was going-- it was going to cost significantly less. In fact, their bid was 40% less, and one of main things that they had as their cost savings was an increased drawing down of 4-E funding, which they actually then went on to decrease IV-E funding by like 80%. Have we made gains back since that time?

**JOHN MEALS:** We have. So our-- back then-- I, I don't have those numbers in front of me, but I-- this is off the top of my head-- back then, our penetration rate was in the teens. And we've worked over the last 5 or 6 years. It's been-- it kind of fluctuates depending on the youth as they come in and out of the system. But it has fluctuated between the high 20s and the low 30s over the last couple years. So we'd-- I would say in the last 6 or 7 years, we've roughly doubled the amount of the youth that are eligible for IV-E.

**M. CAVANAUGH:** OK. And then, do you see in all of this any opportunity for overlap in funding or some efficiencies, and could you maybe illuminate those for us?

**JOHN MEALS:** Yep. So, I mean, one of the things was a recent change from the feds, which we're working through what that would mean for our budget, is for prevention services, which we're working on investing in through the United Way of the Midlands, through the 211

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and other prevention services through community collaboratives. Now, prevention services can be matched at the FMAP, as opposed to just plain 50/50. So we get an extra, instead of being 50/50, it'll be 55/45-- more federal and less state funds, and that is just a additional federal money that offsets state costs. So that's one thing we're looking at. And then, again, in collaboration with Probation-- I think right now, we've identified that there's around 30 youth, give or take, that if we get an agreement in place, some of their services would be eligible. The big thing is, is getting it correct on the front end. There are requirements to be IV-E eligible that there is a-- it has to be in the best interest of the child to be removed from the home and that has to be in the initial court document, and that's not always the case when it's Probation, because-- that's part of the agreement and the discussion that we have to have. So if we can iron out some of the things on the front end of a case, because if that's not in there at the very beginning the first time that there's a court filing, then they're never IV-E eligible. So like, that's one of the things that we're working through with Probation.

**M. CAVANAUGH:** I have one more scary question for everyone in this room. Can we expect a request for provider rate decreases?

**JOHN MEALS:** From HHS?

**M. CAVANAUGH:** Yes.

**JOHN MEALS:** No, ma'am.

**M. CAVANAUGH:** OK. Thank you.

**ARMENDARIZ:** Any other questions? Senator Dorn.

**DORN:** Thank you, Chairman. Thank you for being here today and stuff. I pulled up out in the parking lot and I go, uh-oh, I must have the wrong time. Senator Clements' car isn't here. And so, now I came in here and understand why. Thank you for being here, John, and thank you for 8 years that are-- as long as you and I have had some great conversations and explanations and stuff. This, this 1996 rule, what-- we're married to that forever or what are-- I mean, they say we can't change it or what, what?

**JOHN MEALS:** Until the feds change the law, that's what the program is tied to. It's tied to income limits that were utilized by the TANF program, aid to dependent children, in 1996, and that's what the IV-E

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program, whether that's for foster care, adoption, guardianship, it's tied to that 1996 law until the feds change it.

**DORN:** So we, the state of Nebr-- yeah. The state of Nebraska doesn't get to help, I call it help make a decision to change that or anything, or, I mean, it, and why, and maybe you could give a little explanation, why did we settle on that rate then, or why not a higher rate or-- yeah.

**JOHN MEALS:** I've been here for 6 years. I haven't been here for 30.

**DORN:** Yeah, I know. Neither have [INAUDIBLE].

**JOHN MEALS:** I don't know what we did or why we did what we did in '96. I just-- I mean, yeah. It's something that has been brought up by a lot of states to the federal government.

**DORN:** OK.

**JOHN MEALS:** It's an ongoing conversation. From the federal perspective, I mean, obviously, it, it would cost them much more money if they updated it, so it, it makes sense why they don't want to address it. But there are many states that-- I mean, we are not alone in, in low IV-E penetration rates. So there are many other states that would be beside us in asking for a change, but it would be the federal government that has to make that change.

**DORN:** But it will take maybe Congress or somebody--

**JOHN MEALS:** It would. Yes.

**DORN:** --like that to, to change. OK. Thank you.

**JOHN MEALS:** Yes, sir.

**DORN:** Thank you for explaining that. Yeah.

**ARMENDARIZ:** Senator Strommen.

**STROMMEN:** Just gonna follow my line of thought here. How many, how, how many children are in child-- that's child welfare program? So we've got \$251 million that we're spending on child welfare. What is-- how many children are we [INAUDIBLE]?

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**JOHN MEALS:** I believe it's roughly around 3,000-- just under. I-- we can get back to you with the exact number, but it's around, I think, 2,900 or so.

**STROMMEN:** So it isn't the same as the foster care number?

**JOHN MEALS:** Yeah.

**STROMMEN:** Is it that--

**JOHN MEALS:** That's child welfare system.

**STROMMEN:** The, the 3,900--

**JOHN MEALS:** Yes. Yep.

**STROMMEN:** Or whatever that is. So we're spending about \$65,000 a year per child. Is that--

**JOHN MEALS:** If that's what 259--

**STROMMEN:** OK. All right.

**JOHN MEALS:** --divided by that number is, then yes, sir.

**STROMMEN:** Thank you.

**ARMENDARIZ:** Any other questions? I have a question if I can drill down on the dually-involved youth.

**JOHN MEALS:** Sure.

**ARMENDARIZ:** So previous testifier said 173, I believe, as of June. So how many of them are not qualified for IV-E because of income or because they're in-home placement, but still in foster-- information.

**JOHN MEALS:** So the total number of youth changes based on as kids come in and out of each system. What we have looked at-- I, I don't know if this is through our conversations with Probation or just what our team has looked at. We've identified that we think around 30 kids would be eligible. So if there's 170, then 140 of them would be ineligible.

**ARMENDARIZ:** Ineligible, and--

**JOHN MEALS:** We believe that there's around 30 that would be if we could iron out the agreement between the two of us.

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**ARMENDARIZ:** OK. I'm wondering where that previous testifier saw the \$10 million opportunity if--

**ARMENDARIZ:** So that--.

**ARMENDARIZ:** --he only could qualify 30 kids.

**JOHN MEALS:** That was completely separate from dually-adjudicated youth. That was just a general thing that HHS worked on with Epiphany over the last couple years, and that was more tied to like getting LOA kids, letter of-- kids that we have on letters of agreements. Sorry to use another acronym. Any youth that we have that are outside of our typical rate system, we, we utilize what's called a letter of agreement so we can pay more for the placement. There are certain protocols that we have to follow to get IV-E claiming for them, because they fall outside of our, our regular system. There was also a claim that we could do with developmentally disabled youth that were in our system, additional Medicaid claiming, so they-- it was overall, a number that was tied to HHS increasing federal dollars. It wasn't necessarily specific to dually-adjudicated youth.

**ARMENDARIZ:** But IV-E dollars.

**JOHN MEALS:** IV-E dollars, correct.

**ARMENDARIZ:** OK. So you're-- what you're saying, because of the income limits or their placement limit, about 30 of the 173 might qualify for IV-E.

**STROMMEN:** Correct.

**ARMENDARIZ:** OK. All right. Thank you. Any other questions? And with that, we will close testifier testimonies for LR452, and welcome Senator Spivey back for closing.

**SPIVEY:** Thank you, Vice Chair Armendariz and members of the Appropriations Committee. I really appreciate your engagement and great questions during this hearing, especially early in the morning, right, to wrap our minds around this complex and important topic. A couple of things that I wanted to give feedback to with some of the questions. Vice Chair Armendariz, I'll start with yours. Earlier in my opening, I kind of talked about that, that in general, when we think about federal funding and, and what we are drawing down, there's opportunity, and I think you named that of can we think about federal funding being leveraged with specific agencies? We know HHS is one of

our largest agencies with a high budget. And then specifically for this group of young people that we continue to talk about that are in both agencies, child welfare and juvenile justice, how can we have better synergies around that federal funding? So I think you absolutely named that, that that is kind of the 2 parts of that question. There is a study by-- and let me get this name right-- the National Center for Juvenile Justice. They look at dual system youth and what are our efficiencies, and what they put out in the report that I hope, again, from this conversation that we continue to have with both agencies, is we don't have data-sharing agreements. And so when you look at states that have better effectively served youth as well as supported in the fiscal management that there's that data-sharing agreement, and that there is actually a statute requiring collaboration. I think, Senator Cavanaugh, that was kind of your question. Right now, we have an informal agreement across agencies-- both code agencies, but if there was policy in statute that really outlined the structure and the payment, that that could also support better servicing this-- these specific youth that have more complexities and are costing more dollars within that wave. So I just wanted to uplift that. Senator Dorn, you named, with Gene Cotter, like, well, you know, what happens? Like what happens with the budget? And if you remember, when Probation came, you know, when it was Supreme Court day for our hearing, they had a list of services that would get cut. And they prioritized, hey, if we have to continue to move money here, if budgets are not increased, this is what we're going to start to cut. And on that list were some of these types of services. Prevention, some of the diversion services that we know that if we invest in the front end, we spend less money. Because these kids are not going into prison. They're not going and being detained. They're actually getting rehabilitative services that they need in order to come back to their families and community. And so, I think, to your point, is that we're going to have some decisions that we need to make, and, and the intention of this LR is that how can we get ahead of that? How can we find efficiencies? How do we best serve these young people, because we know that there's going to be things that-- and services that these agencies will prioritize for, for cutting based on the fiscal landscape. And then, I did get a couple of numbers from Gene, just about Probation, that the committee asked. So 12% of all of probation kids are in out-of-home placements-- oh, wait-- out of-- out-of-state placements. Sorry. I, I messed up my acronyms. Out-of-state placements, and then 724 are out-of-home as of today. 467 of those 724 out-of-home placements are, are in like detention, some are runaways, so there's a mix of where these kids

are, but we currently have 724 as of today in out-of-home. And so, when you think if they are out-of-home, that means that they are touching some of the child welfare system, or there's a reason why that there's a need to not be in home as the right option for those kids. And, so, I, I think, again, with, with all of the information that was presented today, is that it is very complex and we are in a difficult position. When we talk about, as Appropriations Committee, we make really hard decisions about a budget, that they are actual, in this instance, kids that are behind our decisions and the success that they will have as young adults navigating being out of home because of trauma, and then now, criminal charges, potentially. And so, I want to be able, as a committee, to make informed decisions and figure out how do we find efficiencies so we are using taxpayer dollars wisely or ensuring that agencies are working together and that these young people are actually getting the support that they need, especially with us seeing the increase of mental health supports and diagnosis that may be causing them to have these experiences. And so, I really appreciate each of you, again, for your engagement and your work previously on this issue. Hopefully, this LR provided better grounding and opportunities that we can work through as a, a committee. I appreciate all of the testifiers for coming today and their points of view that they bring. And I'm really looking forward to this meeting in November, because I think that collaborative space will really allow us to have discourse, figure out some policy interventions that we can bring for 2027. So with that, I would answer any additional questions that the committee may have.

**ARMENDARIZ:** Any questions of Senators Spivey? OK. I appreciate your time and your testimony today. And with that, we will close our hearing for LR452.

**SPIVEY:** Thank you.