ADD YOUR ORG LOGO / LETTER HEAD
Submit Support Letter to Senate Budget at SBUD.Committee@senate.ca.gov & Assembly budget at AsmBudget@asm.ca.gov. Please cc Elizabeth Oseguera (eoseguera@cacfs.org) & Trevor Nelson (TNelson@cacfs.org)!
Please ensure to only submit one letter per organization and to add a signature.

[INSERT DATE]

The Honorable Caroline Menjivar
1021 O Street, Suite 7220
Sacramento, CA 95814

The Honorable Dr. Corey A. Jackson
1021 O Street, Suite 6120
Sacramento, CA 95814

RE: Critical Bridge Funding Needed to Prevent Collapse of Foster Family Agencies Serving 1 in 5 of Foster Youth in California- $30 Million One Time General Fund Request

Dear Dr. Jackson & Senator Menjivar,

On behalf of [INSERT NAME OF ORGANIZATION], representing [INSERT A BRIEF DESCRIPTION OF YOUR ORGANIZATION AND NUMBER OF MEMBERS YOU REPRESENT], we write in strong support of the one-time **$30 million funding request** to stabilize the more than 200 Foster Family Agencies (FFAs) serving over 6,500 foster youth across California.

FFAs continue to face significant financial strain due to the ongoing liability insurance crisis. Since October 2024, 28 FFA site closures have been reported to the California Department of Social Services (CDSS). We are deeply grateful to the Legislature and Administration for last year's $31.5 million allocation, which has helped prevent mass closures of FFAs. However, liability insurance costs remain elevated. Without additional bridge funding, we will see FFA closures. This $30 million request would provide necessary short-term relief while we continue working in partnership with the Administration to advance long-term solutions to the insurance crisis and ensure placement stability for children and youth these organizations care for.

Liability Insurance Crisis Looms
A broad range of child and youth serving organizations in California are experiencing significant strain due to rising liability insurance costs and reduced market availability. This includes counties, school districts, providers serving children and youth with disabilities, special education providers, and organizations operating within the child welfare system, such as Foster Family Agencies (FFAs), and other community-based providers.

For FFAs, they are facing an insurance crisis that could jeopardize placements for 1 in 5 foster youth statewide. In August 2024, The Nonprofit Insurance Alliance of California (NIAC), which provided coverage to 90% of FFAs, announced their decision to non-renew existing FFA insurance policies starting in August 2024, leading to devasting impacts on FFAs.[1] While the Insurance Commissioner called for admitted insurers to step up and offer FFAs liability insurance coverage,[2] not a single state-admitted insurer has reentered the market. FFAs cannot operate without liability insurance, as it is essential for mitigating risk, ensuring financial stability, providing safe and reliable care for children and families, and a

[1] "California FFA & AB 2496 FAQ." *How Did NIAC Get a 90% Market Share for California FFA Liability Insurance in the First Place?*, Nonprofit Insurance Alliance of California, 21 Oct. 2024, insurancefornonprofits.org/california-ffa-ab2496-eli5-faq/#How_did_NIAC_get_a_90_market_share_for_California_FFA_liability_insurance_in_the_first_place.
[2] "*Follow-Up Request to Initiate or Increase Liability Insurance Coverage Offerings for Foster Family Agencies (FFAs) in California*", Ricardo Lara California Insurance Commissioner, 22 Oct. 2025, https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Notice-Foster-Family-Liability-Insurance-Availability-October-2025-FINAL.pdf

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requirement in most of the county contracts. Many of the non-admitted state insurers who were willing to offer liability coverage to FFAs come with significantly higher costs for often lower levels of coverage, making them an unsustainable long-term solution for agencies. The CA Alliance partnered with the California Department of Social Services (CDSS) in February and again in May of 2025 to assess the impacts of the FFA insurance crisis in May 2025, and among the 66 FFAs that responded, liability insurance costs have increased dramatically by an annual average of $163,484 in costs from the previous year. The top 25% of organizations with the highest increase in liability insurance costs reported on average an increase of $366,070 from the prior year.

Sixty percent of FFAs in the survey reported that they will not be able to sustain the higher costs of insurance by their next renewal date, with 33% projecting that their FFA will be at risk of closing entirely, and 27% will be at risk of reducing capacity. Thankfully, the $31.5M budget allocation helped to prevent many more FFA closures in the child welfare system. However, without a systemic fix to address the insurance crisis, the need for funding to help offset the insurance costs is imminent for FFAs, as agencies will face reductions in services, staff, and closures in 2027, when funding is depleted. In our May 2025 survey, 32% of agencies reported that they have laid off staff due to higher insurance costs, and 11% of FFAs have closed some of their offices, reducing the number of homes and children an FFA can serve in their area.

These exorbitant insurance costs add even more financial distress to already underfunded FFAs; programs that serve foster youth that need higher levels of supports and services. Without insurance coverage, more FFAs will close, jeopardizing placements and quality of care.

How FFAs Support Communities
FFAs play a crucial role in helping the Administration achieve its goals to reform the child welfare system. Counties rely on FFAs to help support the needs of foster children because FFAs specialize in serving medically fragile children, LGBTQ+ youth, older foster youth and children with higher needs. A key function of FFAs is to recruit, develop, and retain families, who can also be further trained and transitioned to becoming Intensive Services Foster Care (ISFC) families who support the highest needs children and youth in care within the child welfare system. FFAs provide support to nearly 100% of ISFC family-based homes to support high needs children in a home-based setting.

FFAs work closely with birth families and offer parenting classes, substance abuse counseling, mental health services, and other resources designed to help parents or relatives create a safe and stable home environment. FFAs also assist with transporting and supervising visits between foster children and their relatives, which could be a few hours away.

When reunification is not possible, FFAs work to recruit foster parents and help them get certified to host foster children. FFAs also help to train foster families, and cover training expenses, so these families can properly support high-risk placements and ensure foster parents are well-prepared to handle the complexities of fostering. FFAs provide 24/7 on call assistance and help connect foster parents to social workers in moments of crisis, many times helping the family stabilize so they can continue offering foster children a safe home.

Exploring Solutions to Address the Liability Insurance
The CA Alliance has convened a statewide Insurance Crisis Coalition comprised of more than 15 partners representing children and youth serving organizations across California. [INCLUDE A SENTENCE TO IDENTIFY IF YOUR ORGANIZTION IS PART OF THIS COALITION – FEEL FREE TO SHARE INSIGHTS REGARDING THE BARRIERS IN FINDING SOLUTIONS AS A COALITION]. Together, we have worked to identify practical and responsible solutions to stabilize the liability insurance market for providers that are increasingly viewed as uninsurable.

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Despite sustained engagement with CDSS and the California Department of Insurance (CDI), our system has not yet identified workable long term solutions to resolve the crisis. We have explored a range of policy options, including the creation of a risk pool or captive model, however the significant startup capital required makes this approach financially infeasible. Additional strategies, such as adapting elements of the FAIR Plan model, offering targeted tax incentives to insurers, or examining civil liability reforms, have also been assessed. Given the current political climate, these options have not advanced.

This lack of structural reform, combined with persistently high premiums, places providers in a precarious position as we approach the implementation of the Tiered Rate Structure (TRS) in 2027. The simultaneous loss of temporary insurance relief funding and transition to rates that do not reflect the full cost of care creates a fiscal cliff for these agencies in 2027. Without meaningful intervention, the convergence of these pressures threatens provider stability, placement capacity, and ultimately access to care for children and youth in the foster system.

Conclusion

To ensure stability for foster youth, especially those with higher needs, we are seeking $30 million to support FFAs with the increased cost of insurance coverage this year to preserve FFAs until a long-term solution can be found.

We appreciate your consideration and look forward to working with you to ensure California lives up to its responsibility to give foster youth a safe and supportive start in life. Please do not hesitate to reach out to me at **[insert contact]** with any questions.

Sincerely,