insights VOLUME VIII, FALL 2014

California Child Welfare
Co-Investment Partnership

Federal Child Welfare Financing

The Facts and Perspectives on Reform

IN THIS ISSUE, *insights* WILL PRESENT:

Overview of Federal Child Welfare Financing
Title IV-E Waiver Programs
The Federal Finance Reform Landscape
Moving Forward

National and state experts on child welfare financing believe that the time is now for federal finance reform, pointing to, a) the longevity of bipartisan support for improved child welfare financing, b) a Congress that is more open to arguments for change based on evidence-based practices, and c) the 36 states that have participated in the Title IV-E Waiver Demonstration Project dating back to 1996 (22 of which are still active) have compiled evidence-based learnings on what improves outcomes.

> "The possibility of federal finance reform, coupled with experience in our own counties based on Title IV-E waivers and the 2011 realignment, gives California the opportunity to help lead a national shift in how we best ensure safety, permanency and well-being for children and their families.
>
> **Will Lightbourne, Director,**
> California Department of Social Services

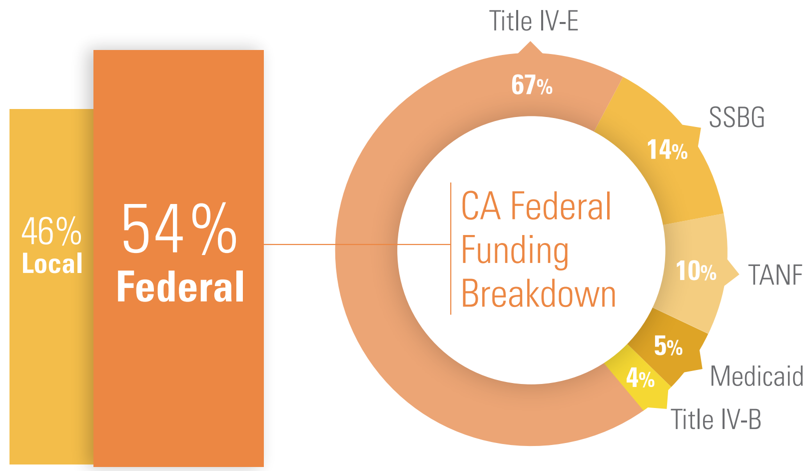
> "California has been a national leader in its focus on improving outcomes for youth and families in the child welfare system and is well-equipped to be a strong and informed voice in the national finance reform discussion.
>
> **Congresswoman Karen Bass**

WHY REFORM MATTERS TO CALIFORNIA – BY THE NUMBERS

In 2012:[i]

- California had approximately 54,000 children in out-of-home care (13.5% of the children in care nationally), this includes placement in foster homes, group homes, guardianships, and with relatives.
- California spent $3.9 billion on all child welfare services (approximately 25% of total national child welfare spending), and federal programs comprised the majority of funding at 54% of total expenditures. (See Table 1 for details).
- Title IV-E, the major federal source of child welfare financing, declined by 19% nationally from 2008 to 2012. On the positive side, this decline is partially as a result of overall caseload reductions (see Table 2). However, the alarming negative cause for the funding decline is the impact of outdated eligibility requirements based on 1996 family income levels (the look-back provision).
- As a result of the look-back provision, the percent of California children eligible for federal funding decreased from 72% to 66% during this same period, leaving the state entirely responsible for funding the children not covered.

TABLE 1 California's Child Welfare Funding Mix



California is positioned to benefit from federal finance reform, as well as to be a strong voice in structuring policy that could improve child welfare outcomes on a state and national level.

OVERVIEW OF FEDERAL CHILD WELFARE FUNDING

Child welfare services are intended to respond to the abuse or neglect of children, promote their well-being and ensure that they have safe, permanent homes. In 2013, approximately $14 billion in federal funds were spent on child welfare activities. Nearly $8 billion of this federal support was solely dedicated to child welfare purposes through programs such as Title IV-E and IV-B of the Social Security Act. Additionally, state child welfare agencies are able to access additional program resources – nearly $6 billion – from other federal funding streams, including the TANF block grant, SSBG, and Medicaid (funding sources that support an array of services aside from child welfare).[ii]

> What you pay for gets measured, and what you measure gets done. How Title IV-E funding has been structured has driven how our child welfare system has been structured. The result is a misalignment between what the data shows and what federal funds pay states to deliver.
>
> **Joan Smith**
> Managing Director, Casey Family Programs

Child Welfare Policy and Finance Reforms

Through new policies and innovative programs (such as those enabled by Title IV-E waivers), federal, state, and local governments are identifying evidenced-based practices that address the following goals:

- Keeping children safe and connected to families, including siblings, relative caregivers, adoptive and birth families.
- Promoting the well-being of all children involved in child welfare by attending to their age and developmental needs, addressing their physical, social adjustment, and mental health issues and ensuring better educational opportunities.
- Ensuring the complex systems that deliver critical services to children, such as mental health care, are coordinated and providing support in a way that meets the unique needs of each child.

At the federal level, momentum towards achieving these goals has been a cornerstone of the bipartisan legislative accomplishments of the past 15 years. Notable examples include the promotion of permanency by the Adoption and Safe Families Act of 1997; the clear emphasis on family connections and well-being in the landmark Fostering Connections to Success and Increasing Adoptions Act of 2008; and further emphasis on permanency and well-being in the Child and Family Services Improvement and Innovations Act of 2011.

This legislation, some of which was implemented in response to the steep increase of children entering foster care in the late 1990's, as well as practice innovations implemented by state and local child welfare agencies, has resulted in the lowest number of children in foster care nationally since 1990. This also represents the lowest rate of children (5.4 per 1000) in foster care over the past 12 years.

While this progress is significant, many believe that more can be done to reach the goals of permanence, safety, and well being through federal financing reform. Criticisms of federal child welfare financing include:

Terminology At-A-Glance

ACYF Administration on Children, Youth and Families

AFDC Aid to Families with Dependent Children (replaced with TANF in 1996)

ASFA Adoption and Safe Families Act

CAPTA Child Abuse Prevention and Treatment Act

CBCAP Community-Based Child Abuse Prevention Program

CMS Centers for Medicare and Medicaid Services

Title IV-B, Part 1, CWS Stephanie Tubbs Jones Child Welfare Services

HHS Department of Health and Human Services

NSCAW National Survey of Child and Adolescent Well-Being

Title IV-B, Part 2, PSSF Promoting Safe and Stable Families

SSBG Social Services Block Grant

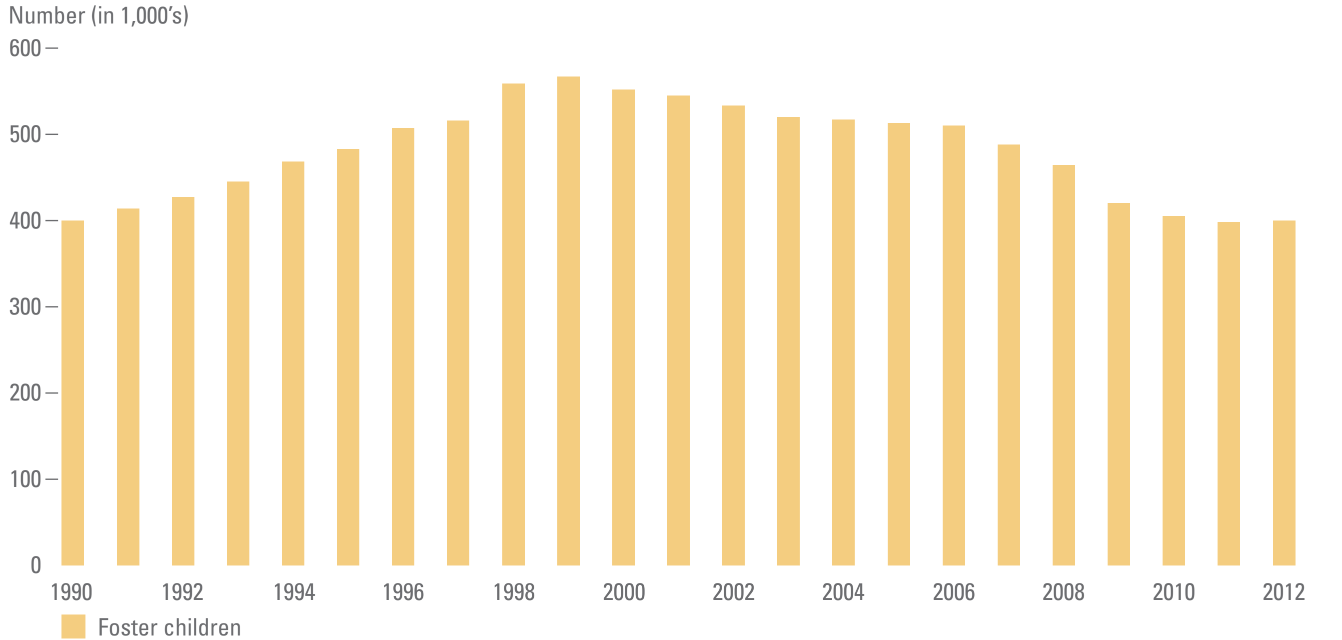
TANF Temporary Assistance for Needy Families

Title IV-E A federal entitlement program that covers some of the direct service and administration costs for foster children.

Title IV-E Waiver Demonstration Project Provides States with opportunities to use Federal funds to test innovative approaches to child welfare service delivery and financing.

- **Fiscal incentives are considered contrary to overall goals of child welfare** – Funding for Title IV-E is an uncapped entitlement but its use is restricted to providing for the board, care, supervision, and case management of children removed from their home. The funding cannot be used to support prevention and early intervention strategies to prevent removal, or after-care services when foster children exit to reunification, adoption, or guardianship. More funding is actually allocated to the maintenance of children living outside of their family home than is available for programs that keep them in their homes and/or help reunify families. Title IV-E waivers are working to address this criticism by offering the flexibility to fund programs that are proven to work—especially those focused on prevention and permanency.

TABLE 2 The Number of Children in Foster Care Ages 17 and Under, 1990-2012



Source: http://www.childtrends.org/wp-content/uploads/2012/08/12_Foster_Care.pdf. More Information is available at Child Trends

- **Inequitable allocation of federal resources resulting primarily from flawed eligibility criteria** – Eligibility for Title IV-E reimbursement is based on AFDC criteria for poverty set to 1996 standards. Each year, as costs of living have increased, fewer children meet the 1996 poverty definitions. The result is fewer children qualifying for federal Title IV-E funding, requiring states to cover more and more of the costs of care for foster children.
- **Insufficient levels of funding for some programs** – Title IV-B is intended to prevent removal from the home but funding is insufficient and often expended within the first quarter of the federal fiscal year.

These shortfalls within the federal system inhibit the ability of states and local agencies to invest in prevention and early intervention innovations to reduce the number of children in foster care, and will likely also result in a reduction in the total dollars available for current services and needed innovations.

1. California allocates all TANF funds to Kin-GAP and Relative Caregiver programs.

TITLE IV-E WAIVER PROGRAMS

Title IV-E funds are used to pay for costs of a child already placed in foster care. They cannot be used for services to prevent removal, or for reunification services for a parent. The Title IV-E Waiver Demonstration Project was established to give states the flexibility to use funds outside of these restrictions with the goal of identifying and implementing evidenced-based practices to mitigate the number of children entering the system, and promote family stability.

At the national level, Title IV-E waiver programs have enabled states to implement evidence-based programs including wraparound, differential response/alternative response, intensive family preservation, trauma-informed assessments and care, and after-care. Although the Title IV-E waiver program is not a substitute for comprehensive federal finance reform, the evidence-based practices that are emerging from waivers are helping to bolster the argument for national reform.

Learn more about the programs, outcomes, and learnings of waiver programs active between 1996 and 2012.[iii]

California's Title IV-E Waiver Participation

The majority of California's Title IV-E waiver learning has happened in Alameda and Los Angeles counties where participation dates back to 2007. Programs were designed for both Title IV-E-eligible and non-eligible children and youth, ages 0-19, in out-of-home placement or who were at risk of entering or re-entering foster care. While evaluations have shown some initial promise in key areas of caseload reduction, child safety and permanency, criticism has focused on allocation of funds to administrative versus program costs, non-strategic program design, and inconsistent evaluation methodologies. Learn more about evaluation design and outcomes for Alameda and L.A. counties.[iv]

California will continue to participate in the Title IV-E waiver program, and possibly expand participation to additional counties, because in the absence of comprehensive finance reform waivers are the best opportunity to test new programs and implement evidenced-based practices. However, the complex terms and conditions, costly evaluations and limited scope of the children and families who can benefit, make waivers an imperfect and short-term bridge to federal reform.

> "One of the biggest benefits of the waiver is that it allows for innovation, which is typically not available in child welfare. Participating in the waiver program has taught us to think more strategically, draw from state and national best practices, and invest time and resources in measuring everything.
>
> **Michelle Love**
> Director of Children and Family Services for Alameda County

THE FEDERAL FINANCE REFORM LANDSCAPE

Two of the largest federal funding sources for child welfare have been shrinking.[v] Without legislative change these sources will continue to decline precipitously over the next 10 years, providing states even less support for the needs of vulnerable children and families than they do today. Consider the facts from the research:

- **The national percentage of children eligible for Title IV-E funding has declined over the past decade.** 48% of children were eligible for Title IV-E dollars in 2001, compared with 40% in 2011.
- **Since 2002, federal foster care payments have decreased by 40%.** Congressional budget projections show an additional 45% decrease over the next decade.
- **Title IV-B funds have declined by more than 26% over the past decade.** These funds are available for a variety of services designed to preserve and support vulnerable families and help keep children safe.

Finding Common Ground in Federal Finance Reform

There are areas of general agreement on federal finance reform, including:

- Broaden eligibility and availability to include more families without income restrictions.
- Increase flexibility to ensure that services a) can be delivered in the community, b) meet family needs prior to removal, and c) support reunification efforts.
- Provide fiscal incentives to support positive outcomes and allow for reinvestment of savings of federal dollars into prevention and after care.

> "We shouldn't be shy to ask for more money when we are talking about help for some of the most vulnerable children and families in the country.
>
> **MaryLee Allen,**
> Director of Child Welfare and Mental Health, Children's Defense Fund

Two proposals that have sparked much discussion are the Child Welfare Finance Reform Policy Proposal from the National Association of Child Welfare Administrators,[vi] and When Child Welfare Works: A Working Paper from The Annie E. Casey Foundation and Jim Casey Youth Opportunities Initiative.[vii] Additionally, The Need for Federal Finance Reform is a white paper by Casey Family Programs[viii] that outlines another perspective on the case for reform.

These proposals advocate for eligibility for all, preserving the entitlement, increasing resources for prevention, and promoting a permanent family for every child. However, the recommendations for how to structure reform have important differences:

- **Eligibility:** One proposal emphasizes prevention and broadens the target population by defining eligibility as "all families referred to the child welfare agency and who receive a finding of 'services needed.'" The other proposals maintain a traditional eligibility definition of "all children placed in out-of-home care."
- **Coverage and Match Rate:** One proposal puts a strong emphasis on permanency by capping the time period for Title IV-E reimbursement to foster families to 36 months for children 18 or under. During the eligibility period, the match rate would be 50%. The proposal also recommends ending IV-E funding for any child under 13 in group care, and children at any age who are in shelter care. The other proposals either recommend a sliding scale federal match rate (FMAP) with the lowest match for congregate care, or recommend FMAP be maintained at current levels.
- **Incentives for Innovation:** The proposals are similar in recommending additional resources to focus on research and finding/applying evidence-based practices. However, only one proposal recommends new incentives and enhanced reimbursements to entice states to innovate and attempt cross-systems approaches to the delivery of services.
- **Workforce Improvements:** Only one proposal makes recommendations pertaining to the child welfare workforce. Specifically, the proposal recommends increasing the Tile IV-E reimbursement rate from 50% to 75% for expenditures on foster-family-related activities with a goal of having workers dedicated solely to foster family recruitment, training, and support.

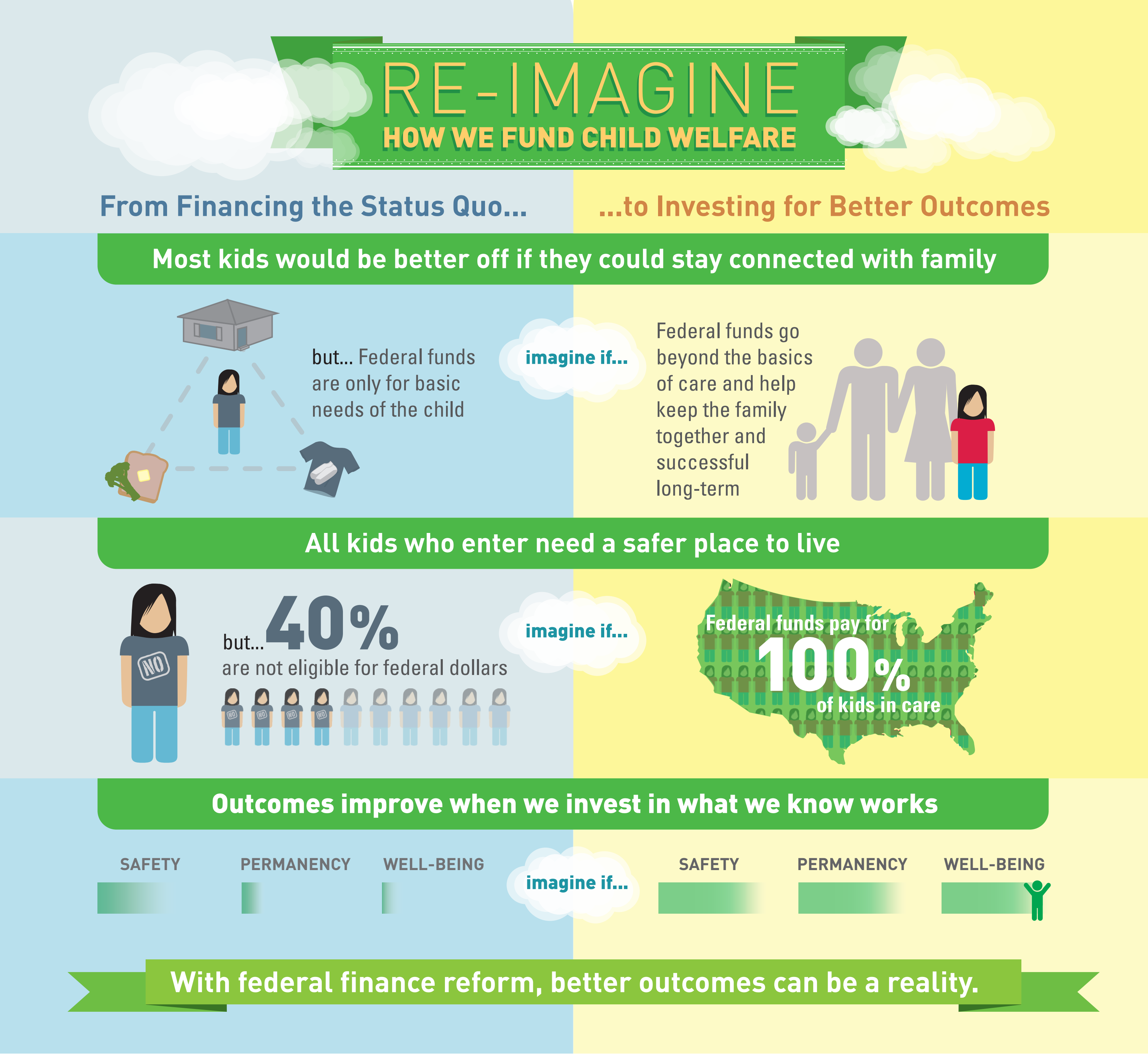
Many of the recommendations in these proposals will require additional federal funding although there is the expectation that, longer term, there may be savings with the ability to invest more resource in prevention strategies. While cost neutrality is a significant consideration in the overall discussion, other experts believe a state-driven movement, built on evidence-based best practices for improved child welfare outcomes, could make the case without demonstrating cost neutrality.

> If there is one bright spot, people on the Hill are more interested in data and evidence as it pertains to child welfare than they were 10 years ago.
>
> **Bryan Samuels, Executive Director**
> Executive Director of Chapin Hall Center for Children at the University of Chicago and former Commissioner for the ACYF

Moving Forward

There is an emerging consensus in the child welfare field that decades of testing and learning have evolved practices in the system, yet federal financing and expectations have not kept pace with the current needs of children and families.

Child welfare financing is a complex topic, but national and state thought-leaders seem to agree that the tides are shifting and opening new opportunities for change. And although there is not perfect consensus on the approach to finance reform, there are evidence-based proposals that are pushing the conversation forward.



> "There are two indisputable facts when it comes to child welfare finance reform. One: federal dollars are declining and two, states do have some evidence-based data on what really works to produce better outcomes for children and families. What we need now is to spark a state-driven national groundswell for change, with an understanding of the dire consequences of inaction.

David Sanders, Ph.D., Executive Vice President of Systems Improvement, Casey Family Programs

As the conversation for finance reform gains momentum at the national level, California is positioned to be an informed voice for investing in strategies and programs that produce positive results for children and families in the child welfare system. Consider the following:

- **Largest population of youth in care.** Nearly 15% of foster youth in the country reside in California.
- **Waiver participant since 1997.** Participation from Los Angeles and Alameda counties alone represents 37% of California's total foster care population.
- **An organized state voice.** The California Child Welfare Council, a statewide advisory group, has worked to communicate agreement on the need and purpose for federal finance reform. The Federal Child Welfare Finance Reform California Toolkit[ix] is a valuable resource for educating the public, inspiring advocacy, and providing specific action steps to support federal reform.

Complete list of references available at www.co-invest.org

> If they had done other things besides taking me out of the house it would have made a tremendous difference. There was nothing wrong with my mother as a parent but she had a temper. Some therapy and anger management classes before I was removed would have avoided a lot of trauma for her and for me. You shouldn't have to come into the system to get help.

Malika, former foster youth, Los Angeles

The California Child Welfare Co-Investment Partnership is a collaboration of private and public organizations working to improve outcomes in the child welfare system. The Partnership comprises five philanthropic organizations (Casey Family Programs, Conrad N. Hilton Foundation, Stuart Foundation, Walter S. Johnson Foundation, and Zellerbach Family Foundation) and the California Department of Social Services, The Judicial Council of California, and County Welfare Directors Association.

*in*sights is an ongoing publication of the Partnership that examines the links between data, policy, and outcomes for our state's most vulnerable children and families. Download previous editions of *in*sights and find out more about the Partnership at co-invest.org.

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