Prevention and Early Intervention Committee

FEDERAL CHILD WELFARE FINANCE REFORM FACT SHEET

Why Federal Child Welfare Finance Reform is Needed

Research demonstrates that children do best in safe, stable and permanent families. However, the child welfare system in this country is not currently funded to adequately support this goal. The major federal funding source supporting States in their efforts to ensure the safety, permanency and well-being of at risk children and families is Social Security Act Title IV-E, an entitlement which pays a portion of the cost to maintain eligible children in licensed foster care. This funding, however, does not pay for services for families or children who are not in foster care. While other federal child welfare funding, such as Social Security Act Title IV-B and the Child Abuse Prevention and Treatment Act (CAPTA), is available to support activities other than out-of-home placement, it is much less than Title IV-E funding. The lack of sufficient resources for all families creates challenges for jurisdictions that want to achieve better outcomes by offering an array of services, strategies and supports. Additionally, not all children receiving foster care services are eligible for Title IV-E funds due to antiquated federal rules that use a 1996 income standard to determine eligibility for the entitlement.

The impact of the existing child welfare financing system on California is significant. In 2012, California had approximately 54,000 children in out-of-home care (13.5% of the children in care nationally) and spent $3.9 billion on all child welfare services annually, with federal funding comprising 47% of total expenditures. Title IV-E alone declined by 19% from 2008 to 2012 due to the outdated regulations for determining eligibility; and the percent of children not eligible for federal funding increased from 28% to 34% during this same period, leaving the State entirely responsible for funding their care.

Recognizing the need to address these concerns, California became a participant in the Title IV-E Waiver Demonstration project in 2006. Waivers allow States to demonstrate how current federal dollars can be utilized to more effectively achieve better outcomes. Upon receipt of the Waiver, California was allowed to waive federal rules that limit the use of Title IV-E funds to foster care, allowing participating counties to spend dollars more flexibly – which has led to innovations in child welfare practices, as well as improved outcomes for children and families. Twenty-one states plus the District of Columbia now have approved IV-E waivers, one year remains for an additional 10 states or tribes to apply for a waiver. Waivers, however, are limited, short-term demonstration projects. Broader finance reform is essential in order to effectively invest in services and strategies that achieve better outcomes for all children and families.

The National Conversation on Child Welfare Finance Reform

There is agreement among policymakers, advocates, and state child welfare directors that changes in federal policy are necessary to provide for a greater array of services and supports offered through the child welfare program, as well as changes in policy that allow for enhanced strategic investments with accountability in order to promote innovation and delivery of practices that ensure child well-being. Stakeholders also concur that the definition of the service population needs to expand to cover more children and families in need of and receiving child welfare services. In addition, there is widespread agreement that the link between federal foster care funding and 1996 Aid to Families with Dependent Children – Foster Care (AFDC-FC) income standards for families is not an effective way to determine eligibility for federal support. Finally, there is consensus that when states safely and effectively reduce their foster care populations, they should be allowed to reinvest the savings into services that achieve improved outcomes for children and families.

Although agreement has been achieved in many areas, consensus has not yet been reached on how to define safety, permanency and well-being in order to ensure accountability; how to ensure funding is available and protected for needed services and supports; or how to ensure that finance reform supports quality improvements. There continues to be a range of views on how eligibility for federal support should be determined if the current AFDC - FC link is eliminated; what the cost would be; and how it would be funded. In addition, there is much debate on how much the service array should be expanded and how to determine what services youth and families will receive. Finally, there is disagreement about how to finance services across a continuum of care and whether or not finance reform requires new resources or a budget neutral approach.

Critical Next Steps

Stakeholders must come together to craft a proposal that enables States to achieve the goals of safety, well-being and permanency by providing the accountability and federal support necessary to achieve these goals for all children and families. While this has proven challenging, the discussion continues to move forward because of the belief that, if done correctly, comprehensive child welfare finance reform can accomplish the following:

- Provide for the implementation of clear outcomes for child safety, well-being and permanency along with measures that hold jurisdictions accountable for their achievement.
- Meet the needs of all children and families, while ensuring the safety of children and recognizing the importance of permanency.
- Support the use of foster care when it is needed to ensure safety.
- Recognize the uniqueness of jurisdictions and allow States to make strategic investments in an array of services, strategies and supports.
- Support investments and reforms by providing funding or incentives that encourage innovation and align policy with practices that have demonstrated improved safety, permanency and child well-being.
- Link federal support to the needs of children and families across the child welfare system, and not to the income of the families from which a child is removed.