

CALIFORNIA CHILD WELFARE COUNCIL

Prevention and Early Intervention Committee

FEDERAL CHILD WELFARE FINANCE REFORM: A TOOLKIT FOR CALIFORNIA

Children do best in safe, stable, and permanent families; however the existing federal funding system for child welfare does not adequately support this goal. Funding is focused on critical services that are needed for children in foster care; however limited funds are available for assisting families to remain safely together. The cost of this current system in California is high in terms of both human and financial capital. There were approximately 54,000 California children in foster care in 2012—13.5% of all foster children nationally- at a cost of \$3.9 billion on child welfare annually. To address these issues, California has been an active participant in the discussion on federal child welfare finance reform, including participation in the Title IV-E Waiver Project, in order to demonstrate how reform could strengthen our ability to help families by:

- **Broadening Eligibility** to include more families without restrictions.
- **Enhancing Strategic Investments and Accountability** to provide services, strategies and supports that meet child, family and community needs.
- **Providing Incentives and Utilizing Savings** to enhance outcomes for all children and families.

The Prevention and Early Intervention Committee of the Child Welfare Council is confident that California can continue to have a significant voice in shaping federal child welfare finance reform through education of our community, stakeholders and the legislature. To do so, the following set of tools has been developed for use and distribution by Council members:

1. **Fact Sheet** on Federal Child Welfare Finance Reform: The fact sheet details why a well-designed federal child welfare finance reform is needed; broad areas of agreement; and potential opportunities for action. *Use this tool for basic education and information.*
2. **California Framework** for Federal Child Welfare Finance Reform: The California Framework provides a snapshot of the current status of each finance reform area, and potential benefits for California in a reform scenario. *This is an advanced tool for decision makers.*
3. **Call to Action** to promote Federal Child Welfare Finance Reform: The Call to Action suggests concrete steps that anyone can take to support California's children and families. *Use this tool to consider a personal commitment to action.*



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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.

FEDERAL CHILD WELFARE FINANCE REFORM: THE CALIFORNIA FRAMEWORK

Nationally, there is general agreement that comprehensive child welfare finance reform can support states and counties in their efforts to improve outcomes and ensure the safety, permanency, and well-being of at-risk children and their families. Currently, the Social Security Act, Title IV-E, the major federal funding source for child welfare, provides critical funds for children in foster care, but does not fund services that help families remain intact or prevent them from entering the system altogether. While there is federal child welfare funding, such as the Social Security Act, Title IV-B and the Child Abuse Prevention and Treatment Act (CAPTA), available for activities that support families, it is insufficient presenting significant challenges to jurisdictions that want to offer an array of services and strategies to families in order to achieve better outcomes.

While there is consensus among stakeholders that finance reform could address these issues, crafting a proposal that protects children, supports a wide array of services and supports, ensures accountability, promotes innovation, and funds these programs at a level considered adequate, has proven challenging to accomplish. California, with approximately 54,000 children in care (13.5% of the children in care nationally), and experience with the Title IV-E Waiver, is in a unique position to inform the debate and help to move a finance reform proposal forward that would benefit our State. The chart that follows provides an overview of the current status of federal child welfare financing as well as the potential benefits California could experience in our child welfare system if well-designed federal finance reform is achieved.

California's Potential Benefits From Finance Reform	
Finance Reform Area	Current Status
<p>Service Population</p>	<p>The majority of federal funding for child welfare is targeted to children who are in licensed foster care through the Title IV-E entitlement. Minimal resources are available for services to families and children not in placement, limiting the population that can be served. Further, federal eligibility for costs of foster care placement is linked to the federal welfare program, Aid to Families with Dependent Children – Foster Care (AFDC – FC). Although AFDC was eliminated in 1996 as part of welfare “reform,” eligibility for federal foster care continues to be based on the 1996 AFDC income standard. In order for a child to be eligible for federal foster care, the family from which s/he was removed must have income at or below the 1996 income standard, which has not been adjusted for inflation. If a child is not federally eligible, the federal government will not pay its share of the cost (50% in California); instead 100% of the cost gets picked up by the state. Currently, this tie between federal foster care eligibility and the 1996 income standard, only provides funding for 70% of our children in foster care.</p>
	<p>The service population could be expanded to include all families involved in the child welfare system, as well as families at-risk of involvement and families exiting the system. Federal support could be linked to meeting a child and their family’s needs, and not to the income of the family from which the child was removed. The tie between federal foster care eligibility and the 1996 income standard could be discontinued.</p>



<p>Service Array</p>	<p>Title IV-E, the major federal funding source for child welfare, provides funds for eligible children who are placed in licensed foster care, and does not support services to families to divert them from the system or support maintaining children in the home. Child welfare funding sources, such as Title IV-B and CAPTA, are available for services to families and children not in placement, however these sources do not provide adequate funding to support the services and strategies needed. Services that are provided vary widely from state to state (and county to county) and are tied to the various funding streams that support them, limiting availability, flexibility and accessibility.</p>	<p>Federal support could be available to meet the needs of children and their families; while continuing to ensure safety and recognizing the importance of permanency. Federally dedicated child welfare funding could be available for a broader population of vulnerable families, as well as provide for a broader array of services through a continuum of care that incorporates prevention and aftercare.</p>
<p>Reinvestment</p>	<p>Title IV-E is caseload-driven and only available for services and supports to children placed in foster care. Federal law does not allow States to re-invest foster care savings associated with reduced Title IV-E costs in order to support successful programs that enhance outcomes throughout the system. Reinvestment is available to States only through the Waiver Demonstration projects, such as those currently authorized for Los Angeles and Alameda Counties. California's experience with the Title IV-E Waiver has demonstrated that strategic investments developed specifically for counties can reduce the number of children in out-of-home care, as well as result in savings that can be used to address unique populations and at-risk families.</p>	<p>Federal support could be available to California in a manner that allows the opportunity to make strategic investments in services and supports that recognize the uniqueness of jurisdictions, allowing for individuality among counties. This includes the reinvestment of savings in Prevention and Aftercare services to divert families from the system and prevent reentry.</p>
<p>Incentives/ Reimbursement Changes</p>	<p>Most federal funding for child welfare services is spent on foster care for federally eligible children through the Title IV-E entitlement. The comparatively small amounts available for Prevention and Aftercare services are insufficient to cover the costs of programs that keep children safe with their parents without the need for placement in foster care or support safe reunification with parents if placement in foster care was needed initially. No incentives are provided to encourage innovations, other than in adoptions. However, penalties are applied if States do not meet outcomes for safety, permanency and well-being.</p>	<p>Federal policy and practice could be better aligned to ensure safety and improve child well-being, with federal incentives tied to the implementation of evidence-based programs and promising practices with proven results. Incentives could also be available for new innovations in service and for emerging populations.</p>
<p>Accountability</p>	<p>In the U. S., child welfare is largely the responsibility of state, county and local agencies, with considerable financial support and oversight from the federal government. The federal government has identified child welfare outcomes that states are accountable for through the Child and Family Service Review process. Currently, this process is under review in order to more closely align federal goals with expected outcomes.</p>	<p>Clear measures for child safety, permanency, and well-being could be identified in order to ensure California can develop objectives that are consistent with identified outcomes and can enhance accountability for achieving federal goals.</p>



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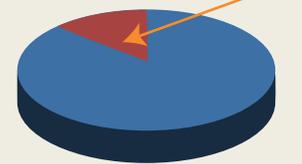
Prevention and Early Intervention Committee

FEDERAL CHILD WELFARE FINANCE REFORM: A CALL TO ACTION TO SUPPORT CALIFORNIA FAMILIES

In the United States, the majority of federal child welfare funding supports children placed in foster care through Title IV-E entitlement funds, with very limited resources available to support services designed to keep children safely at home with their families. Nationally, stakeholders have been working to change that system by enacting a federal child welfare finance reform so that the goals of maintaining safety, well-being and permanency for children can be better realized. While there is still a need for consensus in certain areas, there are three things that everyone agrees federal finance reform should do:

- **Broaden Eligibility** to include more families without restrictions.
- **Enhance Strategic Investments and Accountability** to provide services, strategies and supports that meet child, family and community needs.
- **Provide Incentives and Utilize Savings** to enhance outcomes for all children and families.

FOR EVERY \$6 SPENT TO MAINTAIN A CHILD IN FOSTER CARE, ONLY \$1 IS AVAILABLE TO BE INVESTED IN A BROADER ARRAY OF SERVICES AND SUPPORTS THAT PREVENT THE NEED FOR FOSTER CARE.



Taking Action: What you can do

California, with the largest number of children and families in the child welfare system nationally, could benefit from comprehensive federal child welfare finance reform, if we make our voices heard. If you want to demonstrate your support, consider the action steps outlined below – acting decisively will make a difference in the lives of California’s children, youth and families.

1. **Continue to educate yourself on this issue and partner with others who are involved in this important effort.** Join with the California Child Welfare Council, an advisory body that looks at child and family policy and financing issues, to help educate and advocate for improvement. The California Child Welfare Council was established by the Child Welfare Leadership and Accountability Act of 2006 (Welfare and Institutions Code Sections 16540 – 16545) and serves as an advisory body. More information can be found at: <http://www.chhs.ca.gov/Pages/CACChildWelfareCouncil.aspx>
2. **Support the Congressional Caucus on Foster Youth.** Contact the bipartisan Congressional Caucus on Foster Youth Co-Chairs, composed of U.S. Reps. Karen Bass (D-Calif.), Tom Marino (R-Penn.), Jim McDermott (D-Wash.) and Michele Bachmann (R-Minn.) and indicate your support of their work to better serve children and youth in the foster care system. More information may be found at: <http://fosteryouthcaucus-karenbass.house.gov/>
3. **Contact your congressional representative to provide your feedback and input on this issue.** Take action to educate and inform California’s congressional representatives and others who are in a position to act decisively to positively reform federal child welfare financing. You will find contact information for your representatives at: <https://www.govtrack.us/congress/members/CA>



