Prevention and Early Intervention Committee

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.

Finance Reform Area	Current Status	California's Potential Benefits From Finance Reform
Service Population	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.	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.

Finance Reform Area	Current Status	California's Potential Benefits From Finance Reform
Service Array	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.	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.
Reinvestment	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.	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.
Incentives/ Reimbursement Changes	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.	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.
Accountability	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.	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.