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 is not currently funded to support this goal. The major federal funding source supporting states and counties in their efforts to ensure the safety, permanency and well-being of at risk children and families is Title IV-E, which pays a portion of the cost to maintain eligible children in licensed foster care, rather than providing services for families before and after contact with the child welfare system. Additionally, not all children receiving child welfare services are eligible for this funding. Foster care is the most expensive and least desirable arrangement for children, though sometimes a necessary short term intervention. While funding, such as Title IV-B and CAPTA, is available to support prevention or post-reunification services, they are small, fixed funding amounts, which presents a significant challenge for jurisdictions who want to achieve better outcomes for families.

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 child welfare annually. Federal funding for child welfare in California has declined from 50% of all spending in 2008 to 47% in 2012, a loss of approximately $117 million. Title IV-E alone declined by 19% from 2008 to 2012. The percent of children not eligible for federal funding increased from 28% to 30% during this same period, leaving the State entirely responsible for funding their care. The Washington State Institute for Public Policy estimates the average lifetime cost per child entering the system as $30,000 per child.

Recognizing the need for comprehensive finance reform, California became a participant in the Title IV-E Waiver Demonstration project in 2006. Waivers demonstrate how current federal dollars can be utilized to achieve better outcomes. The Waiver project in California has led to innovations in child welfare practice by spending dollars more flexibly to improve outcomes, while being exempt from the requirement that all Title IV-E funding be spent only on foster care. Twenty-one states plus the District of Columbia now have approved IV-E waivers, and one year remains for an additional 10 states or tribes to receive a waiver.

Nationally, public and private partners are working to come to a consensus on how federal child welfare reform can be implemented in order to support the goals and expectation of safety, well-being and permanency for our children and families. Given the size of the child welfare population and the significant amount of dollars spent, it is critical that California play an active and significant role in shaping how federal finance reform occurs to ensure improved outcomes for our children and families.

National Conversation

There is agreement among policy makers, advocates, and state child welfare directors that more flexibility in spending, and policies that incentivize better outcomes and accountability for performance will promote innovation and investments in practices that ensure child well-being. Stakeholders recognize the service population needs to expand to cover more children in need of and receiving Child Welfare services. There is unanimous agreement that the link between federal foster care funding and 1996 AFDC income standards for families is no longer an effective way to determine eligibility. In addition, there is concurrence that finance reform should allow for the expansion in the array of services eligible for reimbursement and that strong accountability measures are needed to monitor the system performance. 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 youth and their families.

Although agreement has been achieved in many areas, there is yet to be consensus on how to define safety, permanency and well-being in order to ensure accountability or how to ensure finance reform supports quality improvements. There continues to be a range of views on how eligibility should be determined if the current AFDC link is eliminated; what the cost would be and how to fund a different eligibility standard. 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.

Critical Next Steps

Partners must come together to craft a proposal that protects children, provides flexibility, ensures accountability, and funds these programs at a level considered adequate has proven challenging. However, stakeholders continue to move the discussion forward because of their belief that reform of federal child welfare financing can demonstrate the following:

- Commitment to the safety of children is required and critical in how comprehensive reform is structured.
- Every state deserves the opportunity to make more strategic investments in children and families. Federal support should be available to States in a manner that allows the opportunity to make more strategic investments in children and families and recognizes the uniqueness of jurisdictions, allowing for individuality among the States.
- Foster care should be used when it is truly needed to ensure safety, but not as the only response and/or intervention for families. Federal support should be available to meet the needs of a child and their family in a family-based setting, while ensuring the safety of the child and recognizing the importance of permanency for the child and the family.
- The federal government can encourage such investments and reforms by fiscal support (or incentives) to align policy with evidence-informed practices that have demonstrated improved safety and child well-being.
- Federal support should 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.
- There must be clear outcomes for child safety, permanency, and well-being to ensure jurisdictions are accountable.