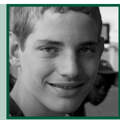




The Pew Commission on Children in Foster Care Recommendations:



# Flexible Child Welfare Financing and Reinvestment of Savings

***Recommendation:*** **Help states build a range of services from prevention, to treatment, to post-permanence by (1) creating a flexible, indexed Safe Children, Strong Families Grant from what is currently included in Title IV-B and the administration and training components of Title IV-E; and (2) allowing states to reinvest federal and state foster care dollars into other child welfare services if they safely reduce their use of foster care.**

In both the corporate world and in government, the principle of "making money matter" holds true: when financing is aligned with the goals to be accomplished, money is well spent and goals can be achieved. Despite this well-recognized principle, child welfare services are funded in ways that do not support the goals to be achieved for children served by child welfare systems—safety, permanency, and well-being. In the federal/state child welfare financing partnership, federal dollars primarily fund foster care: states can only access the vast majority of federal child welfare funds after a child has been removed from her family and placed outside her home.

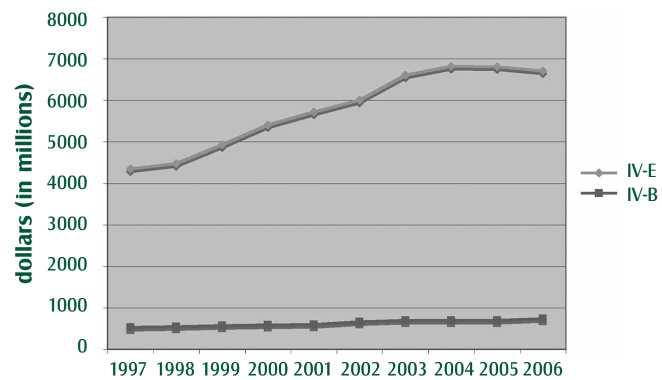
The pool of federal dollars shrinks dramatically when states and localities seek to provide services outside of foster care. Of particular concern is that the current financing structure does not properly support efforts to ensure that children leave foster care to join safe, permanent families as quickly as possible—to return home to live with their own parents or to join a new family through adoption or guardianship.

### Federal Child Welfare Dollars

There are two major sources of federal funding for child welfare: Title IV-B and Title IV-E of the Social Security Act.

- Title IV-B: Funds services for children and families served by child welfare systems.
- Title IV-E: Funds foster care and provides financial assistance to families who adopt certain children from foster care.

**Figure 1: Title IV-B and IV-E Funding, 1997–2006[i]**




Over time, the substantial gap between the federal dollars available for Title IV-E (primarily for foster care) and for Title IV-B (services for children and families) has widened. *(See Figure 1).*

Because this funding structure overemphasizes foster care, in many communities, out-of-home care has come to be seen as the primary response to the needs of children at risk.

In some states and localities, child welfare agencies have succeeded in maintaining children safely with their families rather than placing them in out-of-home care, and have made great strides in moving children in foster care to permanent families. They have re-allocated their own dollars to support the goals of keeping families safely together, safely reunifying children in foster care with their parents, and creating new families for children through adoption and guardianship. These communities, however, have achieved as much as they can through the flexible use of their own dollars. Without an equivalent allocation of federal dollars to support the achievement of these critical goals for children and families, these agencies will not be able to build further on their progress.

### What Is the Solution?

The Pew Commission on Children in Foster Care recommends a federal child welfare financing structure that maintains protections for children, families, and child welfare agencies by keeping foster care and adoption assistance payments as entitlements while also giving states:

- ◆ Increased flexibility in how they use IV-E federal dollars—that is, more options in how they serve children and families, from prevention to treatment services for parents and children to supports for families once children leave foster care; and
- ◆ Opportunities to reinvest federal dollars that would otherwise have been spent on foster care into other child welfare services.

> "I think that, all in all, the amount of money that they would be spending to keep a child in foster care would outweigh what it would take to help a mother be reunited with her children."
>
> Kelly Cates, Maryland
> Reunited with her three children
>
> • • • • • • •
>
> "My sister and I would not have had to stay in foster care for two years if the state had helped my mother during her illness and provided her with support services, like housing for our family."
>
> Michelle Crowley, Tennessee

#### *Increased Flexibility*

With increased flexibility, states would be able to better respond to the unique needs of children and their families because federal dollars would no longer be primarily directed to the care of children who are or who have been in foster care. Under this recommendation, states would have:

- ◆ Flexibility to ensure that children and families get the range of services they need;
- ◆ A reliable, mandatory source of federal dollars to quickly meet the unique needs of each child;

*and*

- ◆ Additional federal dollars to build the needed continuum of services.

Flexible child welfare funding is not a new concept. Through federal demonstration waivers, more than half of the states have used Title IV-E funds flexibly, with positive results for children and families. States, counties, and localities have also achieved highly successful outcomes when they have used their own state and local dollars flexibly to meet the needs of children and families. Through a new federal financing structure, these successes can be realized nationally.

What would a new flexible federal child welfare financing structure look like? The Pew Commission proposed a new program called the Safe Children, Strong Families Grant. Under this new grant:

- ◆ *The flexibility of Title IV-B would be extended to the administration and training components of Title IV-E.* Title IV-E administration dollars pay for casework—the day-to-day services that social workers provide to children and families. Title IV-E training dollars pay a significant portion of the cost of training caseworkers in public agencies. Currently, states are seriously restricted in how they can use these funds. When combined, these funds would make up almost half of all dedicated federal child welfare dollars and would represent a significant financial base for innovative, effective child welfare programming at the state and local level. States would be able to:
    - Use a significant share of their federal child welfare funding as necessary to meet the needs of children and families. States could use those dollars for any child welfare purpose currently allowed under Title IV-B, except foster care maintenance costs.

#### Flexible Funding and Successful Outcomes: Indiana, North Carolina, and Oregon[ii]

With federally supported flexible funding, states across the country have improved outcomes for vulnerable children and youth:

**Indiana:** As a result of funding flexibility, the state increased the chances that children could return home, reduced the possibility of out-of-home placement, and decreased children's length of stay in foster care.

**North Carolina:** Flexible funding contributed to declines in the state's use of foster care following a confirmed report of abuse or neglect.

**Oregon:** Flexible funding dramatically improved the likelihood that at-risk children could remain safely with their parents rather than be placed in foster care.

- Provide child welfare training to key people who cannot currently be trained with Title IV-E training dollars: private child welfare agency caseworkers, court personnel, guardians ad litem, and Court Appointed Special Advocates (CASAs).

> "Maine's waiver allowed us to provide post-adoption services and have flexibility in using federal training, administration, and evaluation dollars. We were able to avoid the cumbersome, bureaucratic processes that are required by the traditional Title IV-E program."
>
> Virginia Marriner, State Adoption Manager, Department of Health and Human Services

◆ *States would receive additional federal dollars to build the needed continuum of services.* The Pew Commission recommends additional protections as well:

- At least $200 million in additional federal funding provided to states above the current IV-B and IV-E administration and training funding levels.
- Indexing after the first year to an annual growth factor (the sum of the Consumer Price Index plus 2 percent) so that the grant would keep pace with inflation and grow over time, thereby ensuring steady, reliable sources of funds to build a continuum of services.
- A "snap back" provision so that if the grant was not fully funded at any time, the Title IV-E administration and training funds would revert to their former open-ended entitlement.
- Funding formulas so that no state would be adversely affected by the new funding methods.

### *Reinvestment of Federal Dollars*

Under the current federal financing structure, when states reduce their foster care caseloads, they "lose" the federal share of savings associated with that reduction. This loss limits their ability to invest in the services needed to keep children out of foster care through early intervention services or to provide supportive services after a child leaves foster care.

The Pew Commission recommends a federal child welfare financing structure that would allow states to keep the federal share of savings that currently are lost. States would be permitted to reinvest the savings they realize when they safely reduce the number of children in foster care into other child welfare services. Both federal and state dollars that are saved through these safe reductions in the use of foster care would be available for reinvestment.

Reinvestment, as envisioned by the Pew Commission, would result in significant benefits:

◆ Reinvestment would create an incentive for states to safely reduce their foster care populations. Reinvested dollars could be used for:

- Up-front services to avoid foster care entry through prevention, early intervention, and family support and preservation services.

### The Safe Children, Strong Families Grant: Flexibility *and* Protection

Many child welfare experts have urged caution in implementing any new federal child welfare financing approach that alters the current entitlement structure and that potentially could reduce resources over time to meet changing needs. They point, with dismay, to the history of diminished funding under two block grants: the Social Services Block Grant and the Community Development Block Grants. The Safe Children, Strong Families is different than these block grants because:

| **A block grant . . .** | **Safe Children, Strong Families . . .** |
| --- | --- |
| Can be used for a range of broad purposes | Would be dedicated funding specifically for child welfare |
| Has few federal requirements attached to it | Could be used only for the purposes specified under current child welfare law |
| Reduces the federal contribution to a federal/state partnership | Would maintain current federal protections for children and strengthen the federal/state partnership |
| Can be reduced through the appropriations process | If reduced, would have a "snap back" that reinstates the entitlement of the former Title IV-E components |
| Does not provide for reinvestment of any savings associated with better outcomes: these savings are lost | Would retain and reinvest savings |

- Intensive reunification services for children in foster care.
- Services for children who leave care to return to their parents, live with relatives, or are adopted by new families so that children do not re-enter foster care.

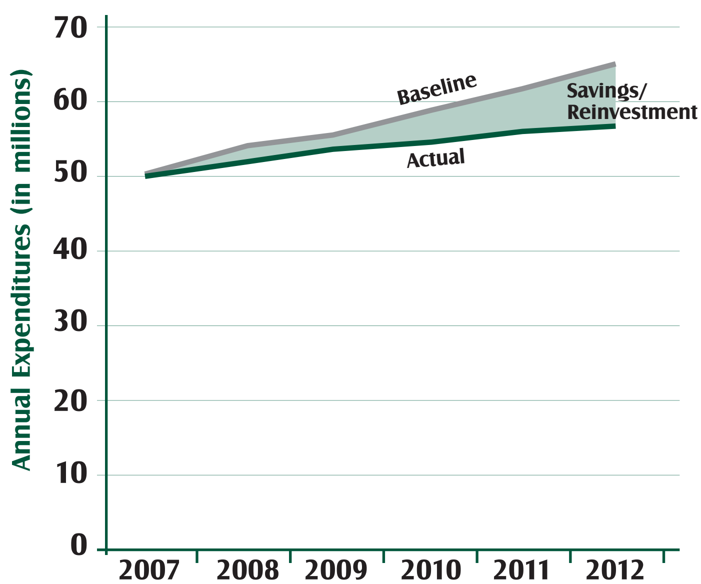
◆ Reinvestment would maintain the federal government's share of child welfare spending. It would preserve the state/federal partnership that is critical to achieving the outcomes of safety, permanence, and child and family well-being.

◆ Reinvestment would maintain states' share of child welfare spending by making the federal contribution dependent on states' reinvesting the full share of their own savings.

> "At the end of the day, it is the states and localities that are the engines of innovation in child welfare. If we are going to make meaningful progress to improve the outcomes of the children and families involved with our systems, then it is imperative that reinvestment of savings be the basis for flexible and innovative approaches to safety and well-being."
>
> Gary Stangler, Executive Director, Jim Casey Youth Opportunities Initiative

The graph below provides a hypothetical illustration of a state's potential savings as a result of the Pew Commission's reinvestment proposal. The top line represents a state's projected foster care expenditures over five years given current practice and the bottom line represents the state's actual expenditures resulting from new program practices adopted at the start of the five-year period. The difference between the two lines—the wedge created over the five-year period—represents the dollars that the state could reinvest into new child welfare programs and services.

**A Hypothetical Illustration: Retaining Savings Under the Child Welfare Investment Fund[iii]**




## Conclusion

Federal funding currently encourages an over-reliance on foster care at the expense of other services to keep families safely together and to move children swiftly and safely from foster care to permanent families. The Pew Commission's recommendations for increased flexibility and opportunities to reinvest savings would address significant drawbacks in the current funding system. Through flexibility and reinvestment, financing can be aligned with the goals that are to be achieved for each child served by child welfare systems: safety, permanence, and well-being.

## Notes

i U.S. House of Representatives, Committee on Ways and Means. (2006). *The 2004 Green Book: Table 11-2—Federal funding to states for child welfare activities under titles IV-B and IV-E of the Social Security Act, 1995-2008.* Washington, DC: Government Printing Office.

U.S. Department of Health and Human Services. (2007). *FY 2007 Congressional justification: Mandatory programs, Promoting Safe and Stable Families; Discretionary programs, children and families program; Mandatory programs, foster care and adoption assistance.* [Online]. Available: http://www.acf.hhs.gov/programs/olab/budget [Retrieved 2/7/07].

ii U.S. Department of Health and Human Services. (2005). *Synthesis of findings: Title IV-E flexible funding, child welfare waiver demonstration.* [Online]. Available: www.acf.hhs.gov/programs/cb/programs_fund/cwwaiver/flexfund/index.htm [Retrieved 2/2/07]

U.S. Department of Health and Human Services. Office of the Assistant Secretary for Planning and Evaluation. (2005). *Federal foster care financing: How and why the current funding structure fails to meet the needs of the child welfare field.* [Online]. Available: http://www.aspe.hhs.gov/hsp/05/fc-financing-ib/ [Retrieved 2/2/07].

iii The Pew Commission on Children in Foster Care. (2004). *Fostering the future: Safety, permanence, and well-being for children in foster care.* [Online]. Available: http://www.pewfostercare.org/research/docs/FinalReport.pdf [Retrieved 2/23/07].

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