Recommendations for Financing Child Welfare
Made by the
Pew Commission on Children in Foster Care

As described in the Pew Commission’s May 2004 report, Fostering the Future: Safety, Permanence and Well-Being for Children in Foster Care
(Available at: http://www.pewfostercare.org)

Prepared by the Children’s Defense Fund
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On May 18, 2004, the Pew Commission on Children in Foster Care released its final recommendations about how to improve outcomes for children in the foster care system. The Commission released two sets of recommendations: one proposing changes to the fiscal structure of the child welfare system and another proposing changes to the way dependency courts operate. This document describes the financing recommendations. A companion document describing the court recommendations can also be found on the Children's Defense Fund’s Web site. The specific recommendations are noted in bold. The accompanying text summarizes additional detail found in the body of the report.

Recommendations for Financing Child Welfare
Made by the Pew Commission on Children in Foster Care

PEW COMMISSION RECOMMENDATION #1:

Because every child needs a safe, permanent family, the Commission recommends:

- Providing federal adoption assistance to all children adopted from foster care;
- Providing federal guardianship assistance to all children who leave foster care to live with a permanent, legal guardian.

Further detail provided in the Pew Report:

Guardianship assistance

- Title IV-E would be expanded to offer financial assistance for children who exit the foster care system to live with legal guardians, without regard to the income of the family or the special needs of the child.
- A court would have to rule out adoption and reunification as feasible alternatives before the child would be eligible for guardianship assistance.
- States would determine the period of time a child had to be in foster care before becoming eligible for guardianship assistance. States would also have to determine that the child had a strong attachment to the potential guardian(s). Finally, states would be required to conduct criminal background checks on prospective guardians, as they do for prospective foster and adoptive parents.
- Guardianship assistance payments could not exceed foster care maintenance payments or adoption assistance payments.
- The Pew Commission estimates that opening Title IV-E to guardianship assistance would cost an additional $70 million the first year and an additional $90 million annually by the fifth year.
Maintain and expand Title IV-E entitlements

- Title IV-E adoption assistance would be maintained as an open-ended entitlement for children adopted from foster care. Eligibility for adoption assistance would be “de-linked” from AFDC income eligibility standards.

- In order to make this proposed “de-link” cost neutral to the federal government, the Commission proposes to reduce each state’s match rate by 35%. [This is discussed in more detail in recommendation #2.] Thus, a typical state would have its match rate go from 50% to about 32%.

- The match rate for guardianship assistance would be the same as the rate for adoption assistance and foster care maintenance payments.

PEW COMMISSION RECOMMENDATION #2:

Because every child needs to be protected from abuse and neglect, the Commission recommends that the federal government join states in paying for foster care for every child who needs this protection:

- Regardless of family income;
- Including children who are members of Indian tribes; and
- Including children who live in U.S. territories.

Further detail provided in the Pew Report:

Maintain and expand Title IV-E entitlements

- Title IV-E open-ended entitlement funding would be maintained for:
  - Federal foster care maintenance payments
  - Federal adoption assistance payments
  - Development and maintenance costs of the State Automated Child Welfare Information Systems (at the current 50% federal matching rate).

Eliminating income eligibility link

- The Pew Commission suggests that the cost of de-linking eligibility from the AFDC income eligibility standards using the current federal reimbursement rates for states would be approximately $1.6 billion a year for both foster care and adoption assistance payments.
The Commission recommends de-linking without increasing costs. Its first option would accomplish that by:

1) Reducing each state’s current federal reimbursement rate for both foster care and adoption assistance by about 35% (states which currently get a 50% match for IV-E, as most do, would get about a 32% match).

2) Adjusting states’ reimbursement claims so that no state would either lose or gain federal funding compared to what it would receive under current law. For the first three years, states would continue to determine IV-E eligibility to ensure states receive what they would have gotten under the current eligibility rules. At the end of this three-year period, states would negotiate with HHS a fixed “claims-adjustment” amount to be applied in perpetuity.

Other options described by the Commission for de-linking that are not cost-neutral include:

1) Federal reimbursement rates would be reduced by the amount necessary to achieve federal cost-neutrality. States that would lose federal funding could submit a supplemental claim in the amount of the loss. This supplemental “hold harmless” fund would cost about $280 million a year.

2) The use of income eligibility standards would be phased out over a period of 17 years. In the interim, the income eligibility standard used would be a percentage of the federal poverty level, rather than the 1996 AFDC income standard. The new standard would be a simple income test based only on the family’s adjusted gross income as reported in the prior year’s federal tax form. It would not look at assets. Children in families whose income was too low to file a tax return would be automatically eligible. The first year the income threshold would be 50 percent of the federal poverty level, and would rise by 10 percentage points each year, until it reached 200 percent of poverty in year 16. The following year there would be no income test. At the same time the federal reimbursement rates to states would be reduced one percentage point each year beginning in the fourth year of implementation. By year 17, when the de-link is fully phased in, the reimbursement rates would be permanently reduced by 14 percentage points. (A state current receiving a 50 percent match would get a 36 percent match in year 17.) States could opt in at any time, but by year 17, the new structure would apply to all states. There would be some costs, but the Commission reported that they would not be prohibitive under this scheme.

Extending assistance to American Indian children in Indian tribes

Currently tribal governments are excluded from receiving direct Title IV-E funding to operate their child welfare programs. The Commission recommends that Indian tribes
have the option to directly access funding for both Title IV-E and the Safe Children, Strong Families Grant through a negotiated process with HHS. Together they would develop a mutually acceptable plan and a timeline for providing tribes the technical assistance necessary to build their capacity to administer a child welfare system.

- The estimated cost would be about $15 million each year.

Extending assistance to children in the U.S. Territories

- There is currently a cap on federal spending for Title IV-E, TANF, and other programs for the U.S. territories that limits their capacity to protect and serve abused and neglected children. The Pew Commission recommends removing Title IV-E Foster Care and Adoption Assistance funding from the current combined federal spending cap on the U.S. territories and giving the territories the same open-ended access to Title IV-E that states have.

- The estimated cost would be about $15 million each year.

PEW COMMISSION RECOMMENDATION #3

Because every child needs a permanent family, the Commission recommends allowing state to “reinvest” federal dollars that would have been expended on foster care to other child welfare services if they safely reduce the use of foster care. State would use these funds for any service to keep children out of foster care or to leave foster care safely.

Further detail provided in the Pew Report:

Reinvesting unused federal and state foster care dollars

- Currently when states reduce their federal foster care expenditures, they lose the federal share of savings associated with that reduction because the dollars revert to the federal government. The Pew Commission recommendation would allow states to transfer the federal savings to the Safe Children, Strong Families Grant and require them to match the federal savings at their foster care matching rates.

- Operationally, each state would project its annual foster care expenditures over a specified period of time, suggested to be five years, given current practice. States that then reduced their foster care expenditures could invest the difference between the projected expenditures and the states’ actual expenditures in other child welfare services.

- To help with the technical challenges associated with projecting expenditures, the Commission suggests that HHS, in conjunction with APHSA, convene a panel of
experts to determine the national standards by which the expenditure baselines would be calculated.

- The Commission noted that after implementing this for a period of time, Congress might wish to consider a penalty for states that continue to exceed their projected expenditures. It suggests that any penalty imposed should be based on the state’s aggregate foster care use, rather than the situation of individual children. For example, states that exceed their projections might be given a lower federal reimbursement rate for marginal foster care expenditures that exceed projections.

PEW COMMISSION RECOMMENDATION #4

Children need skillful help to safely return home to their families, join a new family or avoid entering foster care in the first place. For caseworkers to provide this help, states need flexible, sufficient, and reliable funding from the federal government. The Commission recommends an indexed Safe Children, Strong Families Grant that combines federal funding for Title IV-B, Title IV-E Administration and Title IV-E Training into a flexible source of funding. The Commission further recommends that additional funding be provided in the first year, and that the grant be indexed in future years.

- Each state’s grant amount would be based on its historical spending for Title IV-B and Title IV-E Administration and Training;
- In addition, the total base funding level would be enhanced by $200 million in the first year of implementation;
- In subsequent years, each state’s allocation would grow by 2 percent plus the inflation rate, as measured by the Consumer Price Index; and
- States would be required to match the federal grant funds, just as they currently are required to match federal IV-B and IV-E dollars.

Further detail provided in the Pew Report:

The Safe Children, Strong Families Grant

- Funding would be mandatory.

- Funding would equal about $3.9 billion the first year. Combined spending for Title IV-E Administration and Training in 2004 totals about $3.1 billion and represents nearly half of all federal IV-E foster care and adoption assistance expenditures. Funding for Parts 1 and 2 of Title IV-B for 2004 is about $693 million. The Commission estimates that 2005 expenditures in these programs would total $3.7 billion. In addition, the Pew Commission recommends adding $200 million the first year to create a base of approximately $3.9 billion. The base would increase according to an index that accounts for inflation (Consumer Price Index (CPI) plus 2 percent).
• Funding could be used for any child welfare purpose currently allowed under Title IV-B except for foster care maintenance payments.

• The grant program is not intended to pay for services administered by other agencies to which children or their parents are entitled, such as health, mental health and case management services covered by Medicaid.

• Funding could be used for a broad range of training activities, including cross training for public and private child welfare employees and court personnel, guardians ad litem or other court appointed advocates.

State’s child welfare services plan

• The state’s child welfare services plan must demonstrate:
  
  - How the state addresses the child welfare needs of children and families across the full continuum of services.
  - That the state is investing in family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services.
  - How the state is utilizing the funds to address the program improvements described in its Program Improvement Plans.

Funding beyond current levels of consolidated programs

• $200 million would be added to the grant program the first year.

• After the first year, the grant program would be indexed to an annual growth factor equal to the sum of the Consumer Price Index plus 2 percent. The Commission says this amount exceeds the anticipated growth in IV-B and IV-E over the next several years. The additional indexed funding would cost approximately $855 million over five years.

• The Commission suggests that Congress may wish to consider a “snap back” provision that would allow Title IV-E Administration and Training to revert to their former open-ended entitlement status if the grant program is not fully funded.

Allocations and matches

• Funding allocations to states would be based on states’ historical allocations.

• States would be required to match the federal grant funding with their own spending. States should be required to match the federal grant funds just as they are currently required to match federal IV-B and IV-E funds. The match rate would be based on a national weighted average match rate, probably about 32 percent, for those programs included in the consolidated grant program. It would be adjusted so that no state
would be required to match the new grant funding at a higher rate than its matching rate under IV-B and IV-E Administration and Training.

- States’ plans should also demonstrate maintenance of their state child welfare spending levels.
- The Commission recommends that the Safe Children, Strong Families Grant be subject to appropriation by the state legislature, similar to the way TANF funds are currently treated.

PEW RECOMMENDATIONS #5

To guarantee that public funds are used effectively to meet the needs of children who have been abused or neglected and to increase public accountability, the Commission recommends improvements to the federal Child and Family Services Reviews (CFSRs).

- The CFSRs should include more and better measures of child well-being, use longitudinal data to yield more accurate assessments of performance over time, and HHS should direct that a portion of any penalties resulting from the review process be reinvested into a state’s Program Improvement Plan
- The federal government should continue to help states build their accountability systems by maintaining the federal match for State Automated Child Welfare Information Systems; and
- Congress should direct the National Academy of Sciences, through its Board on Children, Youth, and Families, to convene a foster care expert panel to recommend the best outcomes and measures to use in data collection.

Further detail provided in the Pew Report:

Child and Family Service Reviews (CFSRs)

- Congress and HHS should take three specific steps to make the CFSRs an even more effective tool for improving outcomes for children:
  1) Substantively, include more and better measures of actual well-being, such as health status and educational achievement, to supplement the process measures currently included in the CFSRs. Congress should call on the National Academy of Science, through its Board on Children, Youth, and Families, to convene an expert panel to recommend appropriate outcomes and measures, particularly related to child well-being. HHS also should convene an expert advisory group to periodically review the measures and methodologies to ensure that they remain timely and appropriate.
2) Methodologically, use longitudinal data, rather than point in time data, to produce more complete and accurate assessments of states’ progress. Chapin Hall recommends that at least 40 states have the data capacity to begin using longitudinal data within a year. For the other states, substitutes could be used in the interim to measure progress. Longitudinal data will more accurately reflect states’ progress toward improving outcomes for all children in foster care and will more appropriately drive child welfare practices and decision-making in desired directions.

3) Procedurally, HHS, as part of its review and approval of the state’s PIPS, should reinvest a portion of the financial penalties resulting from the CFSR process in a state’s child welfare system to address identified shortcomings.

State Automated Child Welfare Information System (SACWIS)

- Federal IV-E funding for SACWIS will remain an open-ended entitlement at the current 50 percent federal matching rate.

PEW COMMISSION RECOMMENDATION #6

To improve innovation and constant exploration of the best ways to help children who have been abused and neglected, the Commission recommends that the federal government:

- Expand and improve its successful child welfare waiver program;
- Continue to reserve funds for research, evaluation, and sharing of best practices; and
- Provide incentives to state that (1) make workforce improvements and (2) increase all forms of safe permanence for children in foster care.

Further detail provided in the Pew Report:

Expansion and improvement of federal child welfare waivers

- Eliminate the cap on the number of the waivers that HHS may approve.
- Permit HHS to approve waivers that replicate waiver demonstrations that have already been implemented in other states.
- Streamline the waiver application and approval process to underscore the importance the Department places on the development of best practices
- Urge states to solicit waiver applications from their counties and cities and to encourage and support practice innovation at the local level.
Evaluation, research, training and technical assistance set asides

- Retain the Title IV-B evaluation, research, training and technical assistance set-asides.

Child Welfare Workforce

- Create a financial incentive for states to improve the quality of their child welfare workforce (improving the competence of the overall workforce and lowering caseloads) by giving states that meet certain workforce targets a one percentage point increase in the match rate for the Safe Children, Strong Families Grant.

- The workforce recommendation could eventually result in increased federal costs of about $30 million annually.

- HHS should convene a collaborative working group of state officials, professional organizations, and researchers to (1) review existing workforce standards from a variety of national and state sources and (2) recommend a national set of “best practice” standards for both worker competencies and caseload sizes. States that meet and maintain those standards would receive the higher federal match rate.

Incentives to increase permanence

- Create a new Permanence Incentive, modeled on the Adoption Incentive Program, that includes reunification with the child’s family of origin and guardianship.

- States would receive incentive payments for increasing the percentage of children who leave foster care through one of three paths to safe permanence: reunification, adoption, or guardianship. Payment levels would be equal for all three types of permanence. States would receive enhanced payments for increasing their rates of permanence for older children and for children with special needs.

- Permanence payments would be based on the number of placements that last at least 12 months.

- States would be eligible to receive incentive payments only if their overall permanency rate increased and only if their overall rates of re-entry into foster care did not increase. States that increased their rates of permanence in all three areas would receive three sets of incentive payments.

- The incentive payments could be used for any activities within the Safe Children, Strong Families Grant and could not replace state investments in these activities.