

# CHILD WELFARE FINANCING REFORM

## ACTION

- Congress needs to take the first step in reforming child welfare financing by replacing the outdated eligibility standard for foster care and adoption assistance. Improving outcomes for abused and neglected children requires reforming child welfare financing, in part by updating eligibility.

## CWLA'S CALL FOR REFORMING ELIGIBILITY

The federal government's commitment to children in care and its partnership with state and local programs needs to be substantially strengthened. A number of actions must be included in such a comprehensive reform. Improvements include full funding for prevention and early intervention services; improved access and links between child welfare and Medicaid services; federal support for children in kinship and guardianship placements; easier access to funds for Native American children; and new supports for the child welfare workforce.

The first step in this reform is fixing eligibility for federal funding while maintaining the Title IV-E entitlement. Today, less than half of the children placed in foster care are eligible for federal support and the percentage of covered children is decreasing with each passing year due to the impact of this outdated formula. The same limited eligibility also restricts adoption assistance for families who adopt children from the child welfare system.

## HOW ELIGIBILITY IS DETERMINED

Title IV-E of the Social Security Act provides some federal assistance to children placed in foster care. Pursuant to Title IV-E, the federal government, under certain circumstances, will help share the cost of services such as food, shelter, clothing, and other basic needs of a child placed with a foster family or in a group home or residential facility. States receive a match based on a formula tied to the state's economic needs. The federal government also shares half the administrative costs, which include important services such as case workers' time spent in court, connecting the child with needed services, placing the child in a safe and nurturing environment, recruiting new foster parents, and licensing and training families.

The federal government provides these shared costs only if that child was removed from a family that *would have been eligible* for the Aid to Families with Dependent Children (AFDC) cash assistance program, as it existed on July 16, 1996. This link to the now non-existent AFDC program is sometimes referred to as the "look-back" provision because states have to refer to the former program as it existed more than 10 years ago.

A Congressional Research Report indicated that "in 1996 the median state need standard under AFDC (for a family of

three) equaled 60% of the federal poverty level; by 2005 that median was 48%. This means that eligibility for the Title IV-E foster care program may only be established for children removed from families with incomes less than half the federal poverty level (roughly \$8,000/year for a family of three)."

Over time, this mechanism to determine foster care and adoption assistance eligibility has eroded the number of children receiving federal support pursuant to this program. This shift places greater pressure on state and local child welfare budgets, including efforts to fund prevention and intervention services. A CWLA analysis indicates that 55% of the children in foster care were eligible for federal assistance in 1998, and by 2004 less than 45% were eligible. If left in place, the current eligibility standard will continue to eliminate more children, bringing into question the federal commitment to protect children who have been abused and neglected and brought into protective care.

## SOLUTIONS

Some have suggested that the solution to outdated eligibility is to turn foster care and adoption assistance into a block grant. The glaring failure of a block grant is that it locks in the past 10 years of reduced support for children in need of protection, and subsequently offers little hope for an increased partnership between federal, state, and local governments and the communities most directly affected. Among the various proposals to modernize and update eligibility that have been offered, CWLA's strong preference is to: 1) Eliminate the entire eligibility link and provide support to all abused and neglected children. Few of these children are well off, and this would ensure the federal government's commitment to help all vulnerable children. 2) If a second option is to be considered because of increased cost, we recommend eliminating the link to AFDC by gradually allowing states to cover all children in care. As part of this expanded eligibility, negotiating a reduced match in federal funding could offset some costs. 3) At a minimum, we recommend a final option to replace the AFDC link with a link to an existing program such as Medicaid or the TANF program. This would eliminate the gradual erosion of federal support that now exists, but it does not commit the federal government to a shared commitment to all abused and neglected children.

**Additional information about CWLA's call for reform, and a review of existing child welfare financing resources and legislative proposals, are available at [www.cwla.org/advocacy/financing.htm](http://www.cwla.org/advocacy/financing.htm).**

## CWLA CONTACT

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## Estimated Number of Children Covered by Federal Foster Care Funding in FY 2004<sup>1</sup>

State	Children in Foster Care	Children Covered By IV-E	Percent
Alabama	5,880	1,574	27%
Alaska	1,825	364	20%
Arizona	9,119	4,554	50%
Arkansas	3,097	1,873	61%
California	92,344	52,738	57%
Colorado	8,196	2,538	31%
Connecticut	6,803	2,714	40%
Delaware	849	279	33%
District of Columbia	2,608	1,263	48%
Florida	28,864	9,069	31%
Georgia	14,216	4,321	30%
Hawaii	2,953	1,103	37%
Idaho	1,565	819	52%
Illinois <sup>2</sup>	19,931	10,065	50.5%
Indiana	9,745	1,680	17%
Iowa	5,384	1,972	37%
Kansas	6,060	2,282	38%
Kentucky	7,000	3,417	49%
Louisiana	4,397	2,995	68%
Maine	2,584	1,319	51%
Maryland	11,111	4,051	36%
Massachusetts	12,562	4,974	40%
Michigan	21,173	6,742	32%
Minnesota	7,038	2,809	40%
Mississippi	2,989	640	21%
Missouri	11,681	5,401	46%
Montana	2,030	932	46%
Nebraska	6,292	1,493	24%
Nevada	4,050	1,275	31%
New Hampshire	1,236	648	52%
New Jersey	12,694	4,971	39%
New Mexico	2,320	1,649	71%
New York	33,445	18,923	57%
North Carolina	10,077	4,021	40%
North Dakota	1,314	495	38%
Ohio <sup>3</sup>	17,387	12,821	74%
Oklahoma	10,534	3,808	36%
Oregon	10,096	4,241	42%
Pennsylvania	21,944	10,076	46%
Rhode Island	2,414	601	25%
South Carolina	4,855	1,169	24%
South Dakota	1,600	446	28%
Tennessee	9,590	5,375	56%
Texas	24,529	10,951	45%
Utah	2,108	836	40%
Vermont	1,432	816	57%
Virginia	6,869	4,232	62%
Washington	9,368	3,592	38%
West Virginia	3,990	813	20%
Wisconsin	7,812	2,390	31%
Wyoming	1,209	203	17%

<sup>1</sup> Calculation made using data submitted to the U.S. Department of Health and Human Services (HHS) by the states. CWLA calculated coverage by taking the number of children in foster care at the end of the federal fiscal year September 30, 2004, and comparing it to the average monthly claims a state files with HHS. For more information, visit: [www.cwla.org/advocacy/childreninfostercare.htm](http://www.cwla.org/advocacy/childreninfostercare.htm).

<sup>2</sup> Illinois calculation based on estimated coverage as reported by the Urban Institute in, *The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Funding*. Available online at [www.urban.org/publications/311314.html](http://www.urban.org/publications/311314.html).

<sup>3</sup> Figures calculated by the state of Ohio and submitted directly to CWLA.

# KINSHIP CARE AND GUARDIANSHIP ASSISTANCE

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## ACTION

- Support grandparents and other relatives caring for abused and neglected children by sponsoring and passing the Kinship Caregiver Support Act in the Senate, and the Guardianship Assistance Promotion and Kinship Support Act in the House. These bills will assist millions of children being raised by relatives and other non-relative legal guardians because their parents cannot care for them.

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## THE IMPORTANCE OF KINSHIP CARE AND GUARDIANSHIP

Kinship care is a situation when an adult family member, such as a grandparent, aunt, uncle, or other relative, provides a home for a child who cannot live with his or her parents. Kinship placements for children in child welfare keep families united during a crisis, and provide emotional and cultural benefits to children who cannot return safely to their parents, or for whom adoption is not an option. Given these benefits and many others documented by research, it is important kinship care continue. It is also important to remember that, due to the financial burden, many relatives cannot provide kinship care without relying heavily on assistance.

Subsidized guardianships are relatively new. Massachusetts established the first program in 1983. By 2004, 35 states and the District of Columbia had subsidized guardianship programs. Congress enacted the Adoption and Safe Families Act (ASFA) in 1997, recognizing a child's placement with a relative or a legal guardian as a permanency option for children in foster care. Currently, the federal government does not make funds available on a continuing basis to support those placements.

States use many approaches to fund kinship arrangements and subsidized guardianship placements. A limited number of states can use Title IV-E Foster Care funds through a waiver from the U.S. Department of Health and Human Services. Other states rely on other federal sources, including Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant (SSBG). Both TANF and SSBG, however, are used to fund other vital human services and are already under budget pressure.

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## LEGISLATION SUPPORTING GRANDPARENTS, RELATIVES, AND LEGAL GUARDIANS CARING FOR ABUSED AND NEGLECTED CHILDREN

Both the Senate and the House introduced bipartisan legislation in the last Congress affirming the importance of non-parental caregivers in the lives of abused and neglected children. Senators Hillary Rodham Clinton (D-NY) and Olympia Snowe (R-ME) sponsored the Kinship Caregiver Support Act (S. 985), and Representative Danny Davis (D-IL) sponsored the Guardian Assistance Promotion and Kinship Support Act (H.R. 3380) in the House. These bills would help the millions of children being raised by relatives and other caregivers because their parents are not able to care for them. Both bills would allow states to use federal Title IV-E foster care funds for subsidized guardianship assistance payments. These bills would also establish kinship navigator programs to help grandparents and other relatives obtain information and referral services. The legislation also requires states notify relatives within 60 days of a child's removal from custody and entrance into foster care. Legislation to provide subsidized guardianship assistance payments will be introduced in this Congress.



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# KINSHIP CARE AND GUARDIANSHIP ASSISTANCE

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## KEY FACTS

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- According to the 2000 Census, 6 million children live with relatives—4.5 million of whom live with grandparents, a 30% increase between 1990 and 2000. Most of these families are not a part of the formal child welfare system.
- Almost 20% of grandparents responsible for their grandchildren live in poverty. Overall population statistics in 1997 indicated that 27% of children living in grandparent-maintained homes lived below the poverty level, compared with 19% in households maintained by parents.
- Nationally, 2.4 million grandparents report they are responsible for their grandchildren living with them: 29% of these grandparents are African American; 17% are Hispanic/Latino; 2% are American Indian or Alaskan Native; 3% are Asian; and 47% are White. Thirty-four percent of these grandparents live in households without the children's parents present; 71% are under the age of 60.

Sources for statistical information are provided in the online version of this fact sheet. See [www.cwla.org/advocacy/2007legagenda.htm](http://www.cwla.org/advocacy/2007legagenda.htm).

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## CWLA CONTACT

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## Number of Children Living with Grandparents or Other Relatives

State	Grandparents	Other Relatives	Total
Alabama	92,648	20,475	113,123
Alaska	8,188	2,620	10,808
Arizona	96,062	36,720	132,782
Arkansas	50,286	11,881	62,167
California	625,934	327,623	953,557
Colorado	51,325	19,230	70,555
Connecticut	39,797	12,406	52,203
Delaware	13,726	3,743	17,469
District of Columbia	16,723	5,374	22,097
Florida	258,982	86,152	345,134
Georgia	164,423	53,785	218,208
Hawaii	38,051	4,128	42,179
Idaho	13,636	4,128	17,764
Illinois	213,465	75,362	288,827
Indiana	81,537	18,767	100,304
Iowa	22,985	6,312	29,297
Kansas	29,026	8,739	37,765
Kentucky	57,141	12,294	69,435
Louisiana	117,859	26,691	144,550
Maine	9,276	2,078	11,354
Maryland	98,836	30,651	129,487
Massachusetts	67,781	19,721	87,502
Michigan	143,523	40,098	183,621
Minnesota	33,975	14,008	47,983
Mississippi	83,593	17,963	101,556
Missouri	77,857	18,555	96,412
Montana	9,526	2,381	11,907
Nebraska	13,796	4,825	18,621
Nevada	30,580	14,318	44,898
New Hampshire	10,119	2,339	12,458
New Jersey	127,263	44,132	171,395
New Mexico	41,085	10,572	51,657
New York	297,239	111,806	409,045
North Carolina	135,158	39,043	174,201
North Dakota	3,901	1,079	4,980
Ohio	157,298	35,333	192,631
Oklahoma	57,601	14,825	72,426
Oregon	37,536	14,081	51,617
Pennsylvania	164,354	37,499	201,853
Rhode Island	11,231	3,372	14,603
South Carolina	90,866	21,178	112,044
South Dakota	8,349	2,367	10,716
Tennessee	101,510	24,774	126,284
Texas	448,439	153,381	601,820
Utah	31,099	10,817	41,916
Vermont	4,067	966	5,033
Virginia	107,602	31,076	138,678
Washington	61,905	24,086	85,991
West Virginia	24,276	3,940	28,216
Wisconsin	46,461	14,704	61,165
Wyoming	5,150	1,229	6,379

Source: U.S. Census Bureau Table DP-2, *Profile Selected Social Characteristics: 2000*



# HEALTH CARE: DEFENDING MEDICAID AND EXPANDING SCHIP

## ACTION

- Oppose the President's cuts to Medicaid, including Administration efforts to restrict Medicaid funding that serves the health care needs of children in foster care.
- Expand the State Children's Health Insurance Program (SCHIP) to cover more uninsured children.

## MEDICAID

Child welfare agencies are responsible for meeting the health and mental health needs of all children in state custody, and virtually all children in foster care are eligible for and obtain health care services through Medicaid. Other federal programs that support the child welfare system do not provide coverage for acute or long-term health services. The need for comprehensive Medicaid coverage for this population is particularly significant, as research has extensively documented that children in foster care have more health problems, especially mental health problems, than the general population of children from low-income families.

In addition to relying on Medicaid for a broad range of acute and long-term health services, children in foster care differ from other children because of their greater need for mental health and disability-related services. Beyond funding the direct provision of basic physical health care services, Medicaid currently allows states to provide critical rehabilitative, therapeutic, psychiatric, and targeted case management (TCM) services to children in foster care. Such funding is essential to ensure children in foster care receive the necessary physical and mental health supports while in protective custody.

Child welfare advocates must defend against continued federal efforts to limit the use of the TCM and rehabilitative services Medicaid options that serve children in protective state custody. These heightened regulatory restrictions pose a significant threat to the child welfare system's capacity to meet the health care needs of children in foster care. The Administration has proposed to statutorily exclude payment for rehabilitation and case management services that are "intrinsic to programs other than Medicaid," including child welfare. This provision means that Medicaid could not be billed for services if it is possible for other federal, state, or local funding to cover these costs. Many of the services the Administration highlighted as being "intrinsic" to child welfare, such as therapeutic foster care, provide valuable mental health benefits to children in the child welfare system. These mental health services allow children in foster care to receive necessary therapeutic services in the least restrictive setting possible, and should be paid for by Medicaid. In addition, the Administration's proposal would cut federal funding for TCM to 50%, which is the rate for administrative services rather than the current Medicaid services rate.

## SCHIP

Health insurance coverage for all children and their families, through Medicaid, SCHIP, or private insurance, can prevent children from ever needing the child welfare system in the first place. The availability of such health services can also help families remain intact or aid family reunification efforts. Although Medicaid coverage is available to almost all children while in foster care, broadening health coverage for low-income children and families that fall outside of that bracket—namely at-risk families and children transitioning out of foster care—is critical. At-risk children who are given access to appropriate physical and mental health care as they develop have a much greater likelihood of reaching their fullest potential.

Enacted as part of the Balanced Budget Act of 1997, SCHIP broadens coverage for low-income children. The program helps states provide health insurance to children in working families who do not have employer provided coverage, or who earn too much to qualify for Medicaid. Over the past decade, SCHIP has played a valuable role ensuring access to health care for low-income children. Amid a backdrop of rising health care costs, significant declines in employer-based coverage, and an increase in the number of uninsured Americans, SCHIP has served as Medicaid's essential companion, covering millions of children who otherwise would not have access to affordable health care. Together, SCHIP and Medicaid have effectively reduced the uninsured rate of low-income children by one-third.

SCHIP is a matched block grant program that has allocated \$40 billion in federal funds over 10 years. The program is due to expire September 30, 2007, necessitating reauthorization this year by Congress. Recent estimates by the Congressional Research Service predict that if the current allotment level and formula continue into the future, in just a few years, most states will face chronic shortfalls of federal SCHIP funds, potentially imperiling the health coverage of 1.9 million children. It is vital that legislation reauthorizing the program include federal funding to ensure not only that current SCHIP coverage can continue, but also that future efforts can expand, allowing states to move forward and cover more children.

As SCHIP reauthorization efforts go forward, Congress must also act to protect and strengthen Medicaid, which continues to play a vital role in the health coverage system for children, particularly for those in foster care. Any cuts to Medicaid or other programs serving low-income populations in order to finance SCHIP would just further harm children. Reauthorization of federal SCHIP legislation is a major opportunity for Congress to advance the widely shared goal of ensuring that every American child has access to high-quality health care, thereby strengthening many of the nation's most vulnerable families.

Sources for statistical information are provided in the online version of this fact sheet. See [www.cwla.org/advocacy/2007legagenda.htm](http://www.cwla.org/advocacy/2007legagenda.htm).

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## SCHIP Funding Allocations and Children Enrolled by State<sup>1</sup>

State	State Share	Federal Share	Total Expenditure	Child Enrollment, 2005
Alabama	\$23,711,992	\$87,403,248	\$111,115,240	64,342
Alaska	\$8,244,136	\$19,523,247	\$27,767,383	11,366
Arizona	\$32,761,166	\$109,000,696	\$141,761,862	50,638
Arkansas	\$11,166,512	\$49,653,268	\$60,819,780	61,102
California	\$619,700,374	\$1,150,872,123	\$1,770,572,497	816,406
Colorado	\$32,435,667	\$60,237,667	\$92,673,334	40,696
Connecticut	\$11,034,314	\$20,492,297	\$31,526,611	15,696
Delaware	\$3,757,878	\$6,997,354	\$10,755,232	4,360
District of Columbia	\$2,084,158	\$7,840,404	\$9,924,562	4,573
Florida	\$86,526,092	\$214,120,511	\$300,646,604	203,983
Georgia	\$73,235,641	\$192,303,305	\$265,538,946	228,801
Hawaii	\$5,554,842	\$13,712,734	\$19,267,576	14,108
Idaho	\$4,937,799	\$18,508,539	\$23,446,338	13,787
Illinois	\$174,620,118	\$324,294,505	\$498,914,623	135,984
Indiana	\$27,555,572	\$78,795,535	\$106,351,107	68,939
Iowa	\$16,356,376	\$47,861,826	\$64,218,202	34,913
Kansas	\$18,630,215	\$48,602,608	\$67,232,823	34,611
Kentucky	\$21,153,447	\$77,143,239	\$98,296,686	49,377
Louisiana	\$25,894,214	\$96,537,058	\$122,431,272	107,914
Maine	\$8,607,690	\$24,537,055	\$33,144,745	13,989
Maryland	\$74,294,075	\$137,974,711	\$212,268,786	95,018
Massachusetts	\$81,365,772	\$151,107,863	\$232,473,635	65,289
Michigan	\$76,600,529	\$175,457,809	\$252,058,338	56,195
Minnesota	\$35,600,834	\$66,115,834	\$101,716,668	2,122
Mississippi	\$20,867,472	\$103,343,670	\$124,211,142	68,068
Missouri	\$28,358,336	\$78,051,930	\$106,410,266	93,730
Montana	\$4,498,615	\$17,318,139	\$21,816,754	10,908
Nebraska	\$8,435,498	\$21,456,415	\$29,891,913	23,132
Nevada	\$12,730,272	\$27,466,356	\$40,196,628	28,836
New Hampshire	\$5,311,475	\$9,864,168	\$15,175,643	7,022
New Jersey	\$130,385,642	\$242,144,764	\$372,530,406	115,222
New Mexico	\$7,951,619	\$31,432,329	\$39,383,948	10,647
New York	\$176,900,136	\$328,528,824	\$505,428,960	426,529
North Carolina	\$60,809,145	\$177,098,308	\$237,907,453	130,467
North Dakota	\$3,359,686	\$10,697,577	\$14,057,263	4,136
Ohio	\$66,290,699	\$169,787,288	\$236,077,987	122,796
Oklahoma	\$23,489,678	\$81,094,819	\$104,584,497	54,427
Oregon	\$21,508,276	\$58,448,140	\$79,956,416	25,014
Pennsylvania	\$75,441,875	\$164,360,651	\$239,802,526	136,511
Rhode Island	\$32,597,358	\$69,652,825	\$102,250,183	11,756
South Carolina	\$13,441,748	\$49,136,221	\$62,577,969	52,561
South Dakota	\$3,421,001	\$10,570,824	\$13,991,825	10,610
Tennessee	\$0 <sup>2</sup>	\$0 <sup>1</sup>	\$0 <sup>1</sup>	0 <sup>3</sup>
Texas	\$102,379,068	\$269,367,729	\$371,746,797	326,473
Utah	\$11,646,854	\$45,250,334	\$56,897,188	28,268
Vermont	\$1,962,246	\$4,790,148	\$6,752,394	2,992
Virginia	\$51,626,621	\$95,878,010	\$147,504,631	73,187
Washington	\$19,516,612	\$36,245,137	\$55,761,749	12,956
West Virginia	\$7,858,249	\$33,697,799	\$41,556,048	24,515
Wisconsin	\$37,172,506	\$88,240,807	\$125,413,313	28,006
Wyoming	\$2,996,523	\$6,355,920	\$9,352,443	4,121

<sup>1</sup> The Henry J. Kaiser Family Foundation. (2007). *50 state comparisons*. Available online at [www.statehealthfacts.org](http://www.statehealthfacts.org). Washington, DC: Author.

<sup>2</sup> Qualifying under Public Law 108-74, the state is allowed to elect to receive a portion of their SCHIP allotments as increased federal matching for certain Medical expenditures. Tennessee does not have a separate SCHIP Program.

<sup>3</sup> Tennessee phased out its Medicaid expansion program in September 2002.