



Federal Funding Resources for Child Welfare

Child Welfare League of America
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The funding of child welfare services is complex and involves many distinct funding streams. Public child welfare agencies depend on many if not all of these sources for their operations at any given time. These funds along with state and/or local general fund appropriations are used to hire staff and provide services directly as well as to purchase services from third parties. Each of these revenue sources has their own set of rules, regulations and policy interpretations. Some are open-ended entitlements; others are capped entitlements; some is discretionary; and others are specialized grants, or block grants. Some of these funds are administered directly by the state or county child welfare agency; while others, are available to clients that both public and private agencies serve, and are administered by a different public agency.

This paper is not intended to give all the answers to all the particulars of each of the described revenue resources, which would be a far more lengthy discourse than is presented here. Instead, we present the highlights of the primary public child welfare administered grants as well as the rehabilitation optional funds and Targeted Case Management funds available under Medicaid, Title XIX.

Knowledge of the various funding streams available to public child welfare is important to both public and private providers. Aside from the complexity of these funding streams in and of themselves, access to these funds and how they are administered will vary from state to state. The primary federal funding sources are as follows:

I. Title IV-E, Federal Foster Care, Kinship-Guardianship and Adoption Assistance is a federal program administered by state and local public child welfare agencies that is for poor children. The program is an open-ended entitlement funded with a combination of federal and state/local matching funds and is authorized under Title IV-E of the Social Security Act. In Fiscal Year (FY) 2012 the projected cost of IV-E foster care is approximately \$4.29 billion. The projected cost for the Kinship-Guardianship program is \$80 million and IV-E adoption assistance is \$2.54 billion. These totals include administrative and training costs.

Eligibility

Title IV-E foster care and kinship-guardianship assistance requires that the income of the family of the child must meet the income eligibility requirement for Aid to Families of Dependent Children (AFDC), based on the State AFDC standards that were in place on July 16, 1996 during the month a petition was filed to remove the child (eligibility month) or the month a Voluntary Placement Agreement is signed. The child must have lived in the home of a specified relative within six months of the eligibility month and be deprived of parental support. In addition, there must be a court order that finds: (1) Continuation in his/her own home would be "contrary to the welfare of the child" and (2) reasonable efforts were made to prevent the removal of the child from his/her family or to facilitate the return of the child who has been removed.



As a result of the Fostering Connections Act (PL 110-351), enacted in 2008, states have an option to extend this coverage to children placed in subsidized guardianships with relative caregivers. The same link to AFDC still exists for these families. In addition, the child must meet the eligibility criteria for Title IV-E foster care while living for no less than six months in the home of a prospective relative guardian. The state must determine that neither reunification with a parent nor placement in an adoptive family are appropriate permanency options. The child must also demonstrate a strong attachment to the relative and, in the case where a child is 14 years of age or older, be consulted before being placed.

Title IV-E adoption assistance eligibility followed Title IV-E eligibility for foster care until enactment of the Fostering Connections Act. As a result of the new law the adoption assistance eligibility link to AFDC is being phased out over time. Starting in FY 2010, special needs adoptive children age 16 and older were eligible for federal coverage without regard to income. This age threshold will be lowered by two years every year until all special needs adoptions are covered by federal Title IV-E funding. So in FY 2011, special needs adoptions 14 and older are covered, in FY 2012 the age decreases to 12 years of age and so on. Starting in FY 2010 all siblings who are placed with an eligible child are now extended Title IV-E coverage. Finally, any child who has been in foster care for five consecutive years will also be eligible for Title IV-E coverage if he or she is a special needs adoption placement.

The age of care has also been extended as a result of PL 110-351. Prior to the Fostering Connections Act children in care were covered up to the age of eighteen. Beginning in FY 2011, states have an option to extend the age of foster care up to age, 19, 20 or 21. States also have the ability to extend care in kinship-guardianship cases and special needs adoptions.

Reimbursements to States

Title IV-E is a federal reimbursement for some of the federally eligible foster care, kinship-guardianship or adoption expenses that the state has already paid. Title IV-E is not a grant. Reimbursement is limited to three areas and the funding formula is different for all three:

- Maintenance (45CFR1356.60(a)).
- Administration (45CFR1356.60(c)).
- Training (45CFR1 356.60 (b)).

Maintenance is the board and room payment made to licensed foster parents, group homes and residential child care facilities. For children that are Title IV-E eligible, the federal government reimburses the state for 50% to 83% of the costs and the state pays the balance. The federal portion is called the "Federal Financial Participation" or FFP. The FFP for Title IV-E foster care and adoption assistance (maintenance) is the same as Medicaid (Title XIX) that is called the Federal Medical Assistance Percentage or FMAP. A specific state's FMAP is based primarily on each state's per capita income. The higher the state's per capita income, the lower the FMAP. If the child is not Title IV-E eligible, the state is responsible to pay for the entire cost of care with other sources.



Administration includes those activities necessary for the proper and efficient administration of the Title IV-E state plan. The state currently makes its claim to the federal government for administrative reimbursement based on the total administrative cost, the results of the Random Moment Time Study (RMTS), the percentage of Title IV-E eligible children (often known as the penetration rate), and 50% FFP for administration.

Examples of reimbursable administrative activities included in federal regulations include:

- Referral to services.
- Determination of Title IV-E eligibility.
- Preparation for and participation in judicial determinations.
- Placement of the child.
- Development of the case plan.
- Case reviews.
- Case management and supervision.
- Recruitment and licensing of foster homes and institutions.
- Rate setting.
- Costs related to data collection and reporting.
- Proportionate share of related agency overhead.

When states contract with private agencies to help them carry out public child welfare responsibilities (such as conducting home studies for special needs adoption), they claim reimbursement, based on the percentage of Title IV-E eligible children in foster care or adoption assistance times 50% FFP for administration

Training includes the cost of providing short and long term training at educational institutions as well as in-service training for personnel employed by or preparing for employment by the state (including a Tribe) or a local public agency administering the Title IV-E state plan. Training also includes the cost of short term training for current or prospective foster or adoptive parents and members of state (or tribal) licensed or approved child care institutions providing care to foster or adopted children.

The state currently makes its claim for training reimbursement based on the total training cost, times the percentage of Title IV-E eligible children and times 75% FFP for training. The state is responsible for the balance or non-federal share. In 2008, PL 110-351 extended this training to employees of private agencies recognized by the state. The reimbursement for these workers was at 55% in FY 2009 increasing by 5 percent a year until this training is eventually reimbursed at 75 percent.

II. Title IV-B - Subpart 1, Child Welfare Services was first established in 1935. The specific federal regulations are in 45CFR1 357. This funding is discretionary. Congress is authorized to appropriate \$325,000,000 annually and in FY 2012 appropriated approximately \$281 million. The allotment to each state is based on the state's population under age 21 as compared to other states and the "allotment percentage of the state" (primarily the state's per capita income). States must submit a five year, "Child



Welfare Services Plan" that is jointly developed with the federal government. The Plan requires several assurances and commitments by the state. Funds received may be spent on a wide variety of child welfare related services and are considered very flexible. Annual status reports regarding the Plan are required. States are limited to the amount of Title IV-B, Subpart 1 money they can spend on foster care maintenance payments, adoption assistance payments, and day care necessary for employment, to the total amount of Title IV-B money the state received in FY 1979. At that time, the total national IV-B appropriation was \$141,000,000. Federally recognized Indian Tribes that submit a five year Child Welfare Service Plan along with the necessary assurances are eligible for a portion of the State's allotment based on an enhanced population factor. There is a 25% non-federal match required.

III. Title IV-B - Subpart 2, Promoting Safe and Stable Families is a capped entitlement and was first passed into law as a part of the Omnibus Reconciliation Act of 1993. In the 2001 reauthorization (PL 107-133), the program was extended and language was added that allowed Congress to appropriate an amount up to \$200 million in discretionary funds to the base total of \$305,000,000. The base total is considered "mandatory" money, which means Congress does not have to approve the funding as part of the annual appropriations process. In FY 2012 the total amount of funds available through this program was \$408 million, and the mandatory portion has reached \$345 million.

As part of the reauthorization in 2005, mandatory funding was increased by \$40 million to bring the total to \$345 million at that time. The additional \$40 million in funding is split between substance abuse treatment regional partnerships and workforce state grants. The substance abuse grants are competitive on a national basis. The workforce grants are awarded to all states provided a state can submit data that verifies that caseworker visits to children in care are being conducted monthly. A 2010 Continuing Appropriations Act (P.L. 111-242) increased the mandatory funding again, bringing the FY2011 mandatory total to \$365 million. The additional \$20 million was added to a \$10 million state court improvement grant set aside, making the total set aside \$30 million for FY 2011. The 2012 reauthorization of IV-B (PL 112-34) maintained the full \$30 million set aside for the courts by shifting \$20 million from the state grant baseline, returning it to \$345 million. For FY 2011, the substance abuse grants and workforce grants continue to be funded at \$20 million each.

Each state's share of the total, not counting the set asides, is based on the average monthly number of children receiving food stamp benefits for the most recent 3 federal fiscal years. As a general rule, at least 20% of the money must be spent in each of four categories: 1) family preservation, 2) community-based family support services, 3) time limited family reunification services and 4) adoption promotion and support services. A description of how these funds are to be expended must be included in the state's five year Child Welfare Services Plan. There is a 25% non-federal match required. There is a 3% set aside for federally recognized Indian Tribes or Organizations. The money awarded to Tribes is based on child population and granted only to tribes that are sufficient in size to generate at least \$10,000 and who submit a five year Child Welfare Services Plan.



IV. Child Abuse Prevention and Treatment Act (CAPTA) is discretionary funding. During FY 2012 \$26 million was appropriated. Receipt of these funds requires that they must be spent on child protection activity. The amount of money a state receives is based on its child population. In accepting these funds, a state must meet certain requirements in its state law related to child abuse and neglect. These requirements deal with quality issues for the delivery of child protection services.

As part of the CAPTA law, the federal government also provides funding to Community Based Grants for the Prevention of Child Abuse and Neglect (CBCAP). The purpose is to develop and expand a network of community-based prevention focused resource centers in states as a way to enhance local prevention efforts. For FY 2012 \$42 million was appropriated for CBCAP. CAPTA also includes a Discretionary Grant program that is used to fund research and state and local initiatives. In FY 2012 Discretionary Grants were funded at \$26 million.

CAPTA was reauthorized at the end of 2010 (P.L. 111-320). Legislation groups the basic state grants and discretionary grants into one authority under title 1, which was reauthorized at \$120 million in FY2010 and “such sums” for fiscal years 2011 through 2015. The CBCAP grants were reauthorized at \$80 million in FY 2010 and “such sums” for fiscal years 2011 through 2015.

V. Chaffee Independence Program (Independent Living), formally known as the Title IV-E Independent Living Initiative, the Foster Care Independence Act of 1999 (now known as the Chaffee Independence Program) was signed into law on December 14, 1999. The new law brought major changes in Independent Living funding and regulations. Highlights include:

- \$140 million capped entitlement which requires a 20% state match.
- Allocation formula is based on number of children in foster care for the most recent fiscal year with a minimum of \$500,000 for every state.
- States may use the funds in "any manner that is reasonably calculated to accomplish the purposes" of the program.
- Those eligible include foster children, without regard to their eligibility for Title IV-E, who are likely to remain in foster care until age 18.
- States must use a portion of their funds for assistance and services for former foster children age 18 to 21 who left foster care because they reached age 18.
- States may use up to 30% of their program funds for room and board for former foster children age 18 to 21 who left foster care because they reached age 18.

In 2001, as part of the reauthorization of the Promoting Safe and Stable Families program (PL 107-133), a new tuition voucher program was created. This program, the "Educational and Training Vouchers for Youths Aging Out of Foster Care" assists these youth in their educational needs. The law amended section 477 of Title IV-E and provided an authorization of \$60 million. The dollars are discretionary and congress must approve funding each year. In FY 2012 the voucher program was funded at \$45 million.



These funds are allotted to states under the same formula used to distribute the general Chafee program funds. States use the funds for youth defined by the program as eligible:

- Youth otherwise eligible for services under the State Chafee program.
- Youth adopted from foster care after attaining age 16.
- Youth participating in the voucher program on their 21st birthday until they turn 23 years old, as long as they are enrolled in a post secondary education or training program and are making progress toward completion of that program.

As a result of changes enacted by the Fostering Connections Act, guidance (ACYF-CB-PI-10-11) was issued in regard to extending foster care to age 21 including the definition of living independently in a supervised setting.

Medicaid coverage has been extended for youth who were in foster care at age 18. In 2010, Congress passed the Affordable Care Act (P.L. 111-148) which included a provision that expands Medicaid up to age 26 for former foster youth who exited care after age 18. More information regarding Medicaid is provided below.

VI. Adoption Opportunities Program is in Title II of the CAPTA statute. Funds are appropriated by Congress to help fund efforts to eliminate barriers to adoptions and to help find permanent families for children in need of adoption. In FY 2012 the program was funded at \$39 million. The major goals of the program include development of a national adoption information exchange system, adoption training programs, post legal adoption services for families and the funding of research that will help advance adoptions and address barriers.

Adoption Opportunities was reauthorized along with CAPTA at the end of 2010. The funding authorization level was maintained at \$40 million each year through 2015. A provision was added to qualify that no less 30% and no more than 50% of appropriated funds should be used for HHS' direct or contracted efforts to increase minority adoptions and provide post-adoption services for special needs children. In FY 2011 appropriations for Adoption Opportunities increased from \$26 million to \$39 million as a result of re-directing \$13 million that had been provided through the Adoption Awareness program which was created under the Children's Health Act.

VII. Adoption Incentives Payments is funding awarded to the states based on the level of increases in a state's annual adoptions from the foster care system. The incentive funding was created as part of the Adoption and Safe Families Act of 1997. The incentives were made a part of Title IV-E in that year and reauthorized in 2003 and in 2008. States have a target number of adoptions from the foster care system that they must exceed each year to receive a bonus. The bonuses are awarded based on the increases in overall adoptions, increases in the number of special needs adoptions and the number of adoptions of older children. Older child adoptions are those children 9 or older while the definition of special needs is drawn up by the state. The increased emphasis on adopting older children was first included in 2003 and then strengthened in 2008. States can receive up to \$8000 per child if they increase these older child adoptions. The 2008 reauthorization also included a new base incentive of \$1000 if a



state exceeds a base rate in adoptions. This was included to assist those states that may have increased the rate of adoptions but their actual numbers have decreased because the number of children in foster care has decreased. In FY 2012 \$39 million was appropriated.

VIII. The Abandoned Infants Assistance Program (AIA) is designed to achieve safety, permanency, and well-being for infants and children, who are abandoned or at-risk of abandonment principally due to substance abuse and/or HIV, by providing them and their families with comprehensive and coordinated services. Under the AIA program, infants and children who are abandoned or at-risk of abandonment are: (1) medically cleared from hospital settings, but board there due to a lack of appropriate placement alternatives, commonly referred to as "boarder babies"; (2) physically, emotionally, or intellectually deserted by their parents, principally due to substance abuse and/or HIV; and/or (3) orphaned because their parents are deceased from HIV/AIDS.

Comprehensive and coordinated services provided by the AIA programs include, but are not limited to, the following broad categories: social; psychological; developmental; educational; legal; medical; vocational; and recreational. AIA programs provide services to children and families directly and through coordination with other community agencies. In FY 2012 Congress appropriated \$12 million of the \$45 million authorized in legislation. AIA was reauthorized in 2010 along with CAPTA. No changes were made to the program.

IX. Temporary Assistance for Needy Families (TANF) is a capped state entitlement block grant which provides states great flexibility to provide assistance to needy families with children. There is no state match required, but there is an MOE (Maintenance of Effort) requirement. TANF was created with the passage of the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." It replaced Aid to Families with Dependent Children (AFDC). As a result the "Emergency Assistance" component of the old AFDC and its "open-ended" entitlement status was eliminated. The funds expended on the EA program were rolled into each state's share of TANF. However, states that had an EA program in their Title IV-A (AFDC) state plan prior to September 30, 1995 or at state option, August 21, 1996, are able to use the state's TANF funds for any of the purposes that were included in that state plan. In many states TANF funds used for child welfare services rival the amount claimed for Title IV- E. These states use TANF funds for non IV-E eligible foster care maintenance payments and a range of reunification, early intervention and secondary prevention services including, but not limited to, intensive in- home services, parent aides, respite care and a variety of "wrap around" services. The \$16.5 million mandatory authorization for the TANF block grant was recently extended through the end of FY 2012.

X. Title XX, Social Service Block Grant is authorized by Congress as an entitlement to the states. At times Congress has changed funding through the appropriations process. The funds are administered by the state social service agency and there is great flexibility in how the funds can be expended. Most states use these funds for a combination of childcare, child welfare and services to the elderly. The amount of money



granted to each state is based on the state's proportional population. There are minimal reporting requirements. A total of \$2.38 billion was provided nationally in FY 1996 but has been reduced in successive years to a level of \$1.7 billion by FY 2005. At the end of 2005 Congress approved a one-year increase of \$550 million designated for states affected by the hurricanes. The funds were a re-allocation of dollars previously appropriated to the Federal Emergency Management Administration (FEMA). SSBG continues to be funded at \$1.7 billion.

XI. Title XIX, Medicaid is an open-ended entitlement program that provides medical services to eligible children. Federal funding is based on the Federal Medical Assistance Percentage (FMAP), which is established at the beginning of each federal fiscal year, is based primarily on the state's per capita income and ranges between 50% and 83%. In FY 2012 Medicaid is projected to spend about \$271 billion for patients of all ages and eligibility.

Each state's Medicaid program is different and unique to that state. Within the federal regulations, states have great flexibility in how they administer Medicaid. Some Medicaid services are mandated while others are optional. Mandated Medicaid services include hospital, pharmaceutical services, nursing home and clinic services. In addition there are a variety of 11 "optional services" that states may choose from to include in their

Medicaid program. States vary greatly in which services they select under the optional category. Medicaid eligible children may receive these services when prescribed by a "practitioner of the healing arts." Usually this is a physician or a clinical psychologist, but in some states may also include a social worker or other specified professional.

Title IV-E eligible foster care, kinship-guardianship and all special needs adoption children have categorical eligibility for Medicaid. In addition, states usually cover non Title IV-E eligible foster children and children from low income families under the "medically needy option." In these states, almost all foster children, including non-IV-E eligible children, are Medicaid eligible.

EPSDT (Early, Periodic Screening, Diagnosis and Treatment) services for children must be included in every state plan. If the screening team prescribes a Medicaid reimbursable service that is not included in the state's Medicaid plan, the prescribed service is still eligible for federal Medicaid reimbursement for that particular Medicaid eligible client. The Deficit Reduction Act of 2005 allowed new options to states in how this is implemented.

Two of the "optional services" that some state child welfare agencies have negotiated with the state's Medicaid agencies to provide are "Targeted Case Management" (TCM) and "rehabilitation services." Under Medicaid, "Case Management Services" includes TCM and refers to services which assist eligible individuals gain access to needed medical, social, educational, and other services. TCM allows states to provide case management to "targeted" groups such as those receiving child welfare, foster care, adoption or mental health services. The state Medicaid plan must address: "target group, areas of the state in which services will be provided, comparability of services, definition of services, qualifications of providers, free choice of providers and assurance that



payment for case management services under the plan does not duplicate payments made to public agencies or private entities under other program authorities for this same purpose."

The federal definition of rehabilitation services are, "any medical or remedial services recommended by a physician or other licensed practitioner of the healing arts within the scope of his practice under the state law, for maximum reduction for physical or mental disability or restoration of a recipient to his best possible functional level." This broad definition provides many opportunities for children served in the public and private child welfare system. Examples of Medicaid reimbursable rehabilitation services that relate to child welfare currently being funded in one or more states include: residential treatment centers, therapeutic family foster care and intensive in-home services.

XII. Federal Funds from Other Authorizations

There are a number of other funds that may be made available to the population of children served by the child welfare agency. This is because many of the children or families have needs that cut across more than one problem area, agency or funding source. Many of the services may be either provided by the public agency or purchased from a private agency. Some examples of these include:

- CCDBG (Child Care Development Block Grant).
- Head Start.
- Mental Health Service Block Grant.
- Substance Abuse Block Grant.
- OJJDP (Office of Juvenile Justice and Delinquency Prevention).
- Children's Justice Act.
- Individuals with Disabilities in Education Act (IDEA) part C Infants and Families
- Title V of the Social Security Act (Maternal and Child Health).
- Section 426 Grants (University training in child welfare).

In addition to these funds, other non-governmental resources in public and private child welfare include:

- Private foundations - a number of private foundations have specific and special concerns regarding the provision of child welfare services. Some of these foundations have committed significant funds to public, tribal and private non-profit agencies that are interested in specific "reform" issues.
- United Way.
- Private individual donations.