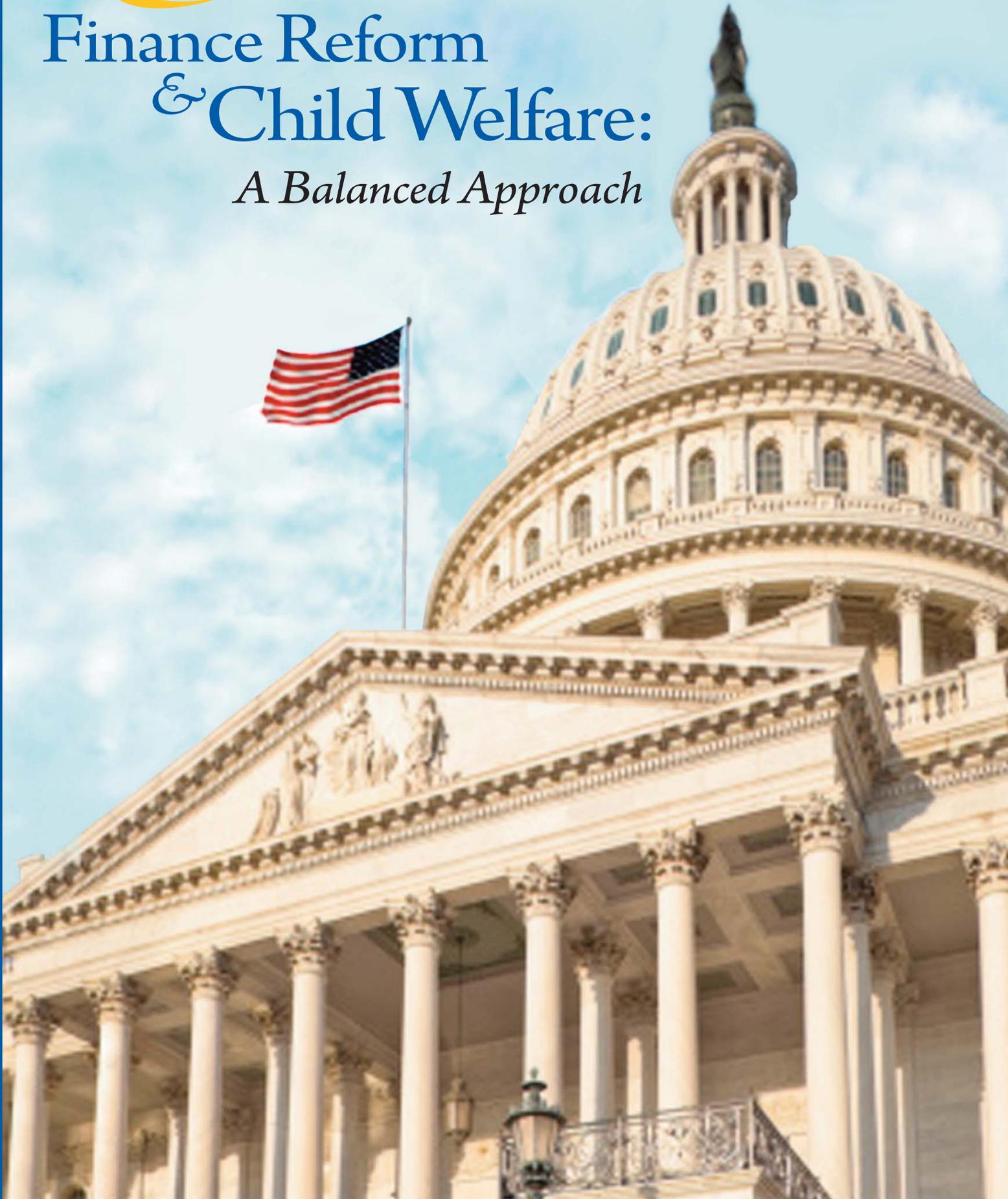




Finance Reform & Child Welfare: *A Balanced Approach*



Since the 1996 Temporary Assistance for Needy Families (TANF) block grant created an eligibility link between the 1996 Aid to Families with Dependent Children (AFDC) program and Title IV-E Foster Care funding, the child welfare field has been debating the need for a new system of finance that would ensure eligibility for all children in need while simultaneously spreading funding to address the full range of needed services. To achieve these ends, current legislative reforms have largely targeted funds currently available for foster care, guardianship, adoption of children from foster care, and the limited array of services that are wrapped around those placement settings.

The need for a full array of services for all children has been a key focus for finance reform. CWLA's most recent set of standards, the *National Blueprint for Excellence in Child Welfare*, highlights a child's right to the services and supports they need to be safe from abuse and neglect, accomplish key developmental tasks, and develop needed coping strategies and protective capacities so they can succeed and flourish. In this context, the child welfare service array ideally includes:

- Community-based family support services and child abuse and neglect prevention programs including home visiting, parenting education, and mutual support and related services;
- In-home supports and interventions that can strengthen parental capacity, reduce the risk of child maltreatment, and thereby prevent the placement of children in foster care and prepare the family to succeed when returning children to parental care and custody;
- Placement services designed to protect children only when they cannot remain at home safely;



- Services to give children a permanent family when reunification is not possible; and
- Intervention and supports assuring the developmental, educational, health-based, and emotional well-being of every child, no matter what the placement and family circumstance.

While there is wide child welfare support for this array, legislative discussions of finance reform to achieve these ends have been driven by two broad but conflicting perspectives:

1. Funding must not be limited, and must provide everything needed;
or
2. Funding must be budget neutral and provide an ability to flexibly spend what is already available.

The assumption associated with these two opposing views is that federal funding streams are the principal, if not sole, force driving the use

of out-of-home care,¹ and that by changing the structure of these funding streams, we change the use of placement and outcomes for children.

Behind these two frameworks there appears to be an oversimplified application of the principle that, whenever possible, children should live in the most family-like setting and that a one-dimensional focus on placement type serves as the driver of outcomes for children and families. In the current conversation, it seems that a specific placement type leads to good or bad results regardless of the needs and specific circumstances of the child and family—or the services and supports that may or may not surround that placement.

¹ In this paper, the terms “out-of-home care” and “foster care” are used interchangeably to denote the full array of child welfare placement services reimbursable under Title IV-E, including kinship care, family foster care, therapeutic foster care, and residential care. The term “family foster care” is specifically used to denote the placement of children in care and custody in an approved family setting.

CWLA believes that there is a more complex picture that is influenced by state and local political will; federal, state, and private resources; leadership; economic conditions; societal circumstances and case-level challenges. As a result, changes in federal funding streams to favor one placement over another will not automatically lead to improvement for all children in all 50 states. In effect, we are saying that a single approach to systemic change may guide practice, but one size cannot fit all. Likewise, a finance reform proposal should not be measured in terms of how it is implemented by the most innovative and committed states but by how it will be implemented in states that lack commitment and/or resources.

In some states, and when combined with other improvements, such reforms will influence practice for the better. In other states, reform may mean a shift in spending and systemic measures of change, but may not lead to improvements in the safety and well-being of children and the stability of families. Policies and resources can readily lead to changes in placement utilization, but if services and other supports do not follow, child welfare will fail to achieve its goals, as has been the case in some reforms both within and outside of the child welfare field. Any and all placements with birth families, kin families, foster families, adoptive families, or in group residential facilities require the necessary support and treatment to achieve child well-being.

Ultimately, children are not placed into foster care simply because the federal government funds some foster care placements under Title IV-E. If that were true, all children in foster care would be covered by federal funding because states would implement a policy that only placed children eligible for federal funding into foster care. Instead, what we see is that less than half of the foster care placements are covered by federal funds, and that coverage varies widely across the 50 states without regard to geography, size, or economic makeup. Nor do all children stay in placement merely because the federal government provides Title IV-E foster care funds. Annually, 51% of children return home, 15% are placed with guardians and relatives, and 21% are adopted and do not return to care.

HOW WE CAN WORK TOWARD A BALANCED FINANCE REFORM PROPOSAL

A finance reform proposal must recognize that child welfare needs to address a full array of services that can assist the full spectrum of child and family needs across diverse populations including tribal communities. That is because no family and no child can be forced to fit into a single model of services, and, in fact, different families will likely use different services at different times and in different measures. That means *we need to be far more aggressive in preventing child maltreatment when possible, work diligently to strengthen families that are fragile, and find new permanent families as soon as is necessary.*

1. Strengthen Title IV-B Prevention Intervention and Support Services

First and foremost any serious attempt to reduce foster care placements, enhance permanency and ultimately reduce the number of youth aging out of foster care, must start at the front end with strong community-based initiatives. We can and must take steps to strengthen Title IV-B prevention, intervention and support services. Any reform proposal dealing with the IV-B programs and other key funding sources such as the Social Services Block Grant cannot undercut funding to vital services including child protective services.

2. Extend Home Visitation and Expand Pre-K Programs Including Early Head Start

It is critical that we strengthen and increase those services that can prevent child maltreatment. Two steps that Congress can take, and that all advocates must speak out in support of, are (1) an extension of home visiting services and (2) an expansion of Pre-K programs. CWLA is grateful to Congress for extending home visiting programs for an additional year; now, we ask Congress to extend these programs for the next decade.

The Maternal, Infant, Early Childhood Home Visiting Program (MIECHV) has been a bipartisan effort. Pre-K programs have also received bipartisan support at the state level, and now

need the same commitment at the national level. The extension of Pre-K programs, including Early Head Start, provides an important intervention to support families and promote healthy child development. Support for these programs would acknowledge the reality that if we are to reduce the need for foster care placement, we will have to address some of the underlying drivers of child maltreatment that may ultimately be related to finances, housing, inadequate nutrition, and lack of access to needed social services.

3. Strengthen Wrap Around Services

If a child is removed from their family, we need to build parental capacity and reunify that family by providing trauma-informed services and trauma-focused therapeutic intervention for the parent/caregivers and for the child. In other cases, a child will be able to maintain that parent-child relationship through placement with a kinship caregiver. In some cases, that child will be best served by finding a new family for adoption. In all cases, the appropriate services must be wrapped around the child and family, including birth families, kinship caregivers, and adoptive families.

To accomplish this, we must better distinguish between a child's placement setting and the array of services needed by children in care, regardless of their placement location. In addition, as in all service systems, there are some types of services that are needed for a specific period of time—such as community-based mental health services, treatment foster care, and residential treatment—in order to make it more likely for certain children to heal from the trauma they have experienced and advance, ultimately, to the best family-based placement.

4. Supports for Kinship Care

We must also strengthen alternatives to foster care, not the least being kinship care placements that are strong and supported. This means going beyond simply placing children

with kin but making sure these families are supported. While there is an important role for the least intrusive TANF-funded kin placements, we must also guard against use of these placements as a way to supplant Title IV-E kinship placements that also provide kin caregivers with needed child welfare supports.

5. Coordinated Trauma Treatment Across the Spectrum of Need

Many children receiving a child welfare service are likely to suffer from chronic or posttraumatic stress as a result of child abuse and neglect and/or as consequence of daily life in communities struggling with violence, instability, substance abuse, and, for tribal communities, historical trauma. For these children, regardless of their placement setting, an appropriate level of therapeutic supports must be available to mitigate long-term harm, promote healing, and nurture future success. A key component of any child welfare finance reform is building stronger links and greater coordination between child welfare systems and other key services, including an array of mental health services like child and family treatment in-home, center based intervention, therapeutic foster care, crisis stabilization services, residential treatment, and psychiatric hospitalization. This means that any reform requires a stronger link and coordination between the child welfare and health care systems—especially Medicaid.

All of these services and reforms cannot be accomplished in one piece of legislation or restructuring. Still, we can and should move forward as we learn more and perfect what we know works. Let us begin (in reality, continue) a process that changes the child welfare system in the most effective way possible. Let us be willing to make reasonable investments that reject the theory that we have all that is needed or that we can find unlimited funding to do all we could dream of doing.

CONSIDERATION OF CURRENT FINANCE PRINCIPLES FOR TITLE IV-E REFORM

A Practical Approach vs. Budget Neutral Proposals

Some reform proposals are “budget neutral,” meaning that under the Congressional Budget Office (CBO) formula, the proposed changes will not increase federal spending. These proposals are based on two considerations: Either the current budget debate in Washington will prevent any additional spending, or more funding is not needed because current funding is adequate and merely needs to be spent in a different way, resulting in better outcomes.

While there are numerous efforts to strengthen services, no one can examine the current child welfare system and point to an array of child welfare services in any one state that is addressing all or even close to all that is needed. There are instances in some states that have been acknowledged for their accomplishments and highlighted as a model of practice, only to later find that they face practice, program, resource, and operational concerns that may result in significant problems in achieving safety and wellbeing for children. This fluctuation in capacity and responsiveness reflects the complexity of actually achieving and maintaining positive progress in child welfare reform.

CWLA proposes that reform proposals be framed using a more practical approach. We should not pretend that funding is adequate and should consider what it would take to assure all parts of a true system of care are in place. Concurrently, we must recognize that even in the best of budget times, child welfare services will be in competition for limited human service funding and there is not yet the political will to invest significantly more into these services.



We do not propose a new, open-ended entitlement, but we know more is needed to effectively prevent child maltreatment and reduce the need for foster care placements. We must also recognize the need for post-placement supports for children and caregivers when foster care placements are required; especially if we are seeking to successfully reduce residential placements. Post-permanence services must be available for children and families in reunification, kinship care, adoption, and transition to adulthood.

If a more comprehensive reform cannot be adopted in one legislative vehicle, then it should not be seen as a negative if we have to enact improvements in stages and over several years as we realize results. At the same time, we need to prevent current funding from eroding either through IV-E eligibility or annual cuts to wrap-around funding resources or caps on entitlements. To repeat an old cliché, “don’t make the perfect the enemy of the good”—that is, do not stop meaningful incremental reform just to wait for a grand bargain of reform. We suggest the following ideas and emphasize that all meas-

ures need to assure equal access and expansions to tribal communities and tribal child welfare plans.

Time Limits on Placements

We recognize that proposals that recommend time limits on certain services are based on two elements: the desire to limit the amount of time a child spends in foster care and the need to save federal funding to invest in alternate services and placements. No one would disagree with the desire and goal to make sure no child spends a day more than required in foster care. The concern here is that such restrictions may not change practice in those states that need it, but will merely sap resources from the state’s child welfare

system. In some states this could mean reductions in child welfare funding, which could undercut support in vital areas such as staffing, foster parent and adoptive family recruitment, and state-funded services to address the unmet needs of infants, and young children. It could also negatively affect older youth who may require specialized and targeted services to help them achieve permanence, manage issues related to their sexual orientation or gender identity; tackle substance use/abuse concerns; or address youths' vulnerability to/experience with trafficking, sexual assault, or other forms of victimization.

Flexible Block Grants

The easiest way to preserve (actually freeze) current federal funding and to expand the ability of states to spend on a range of child welfare services is to employ the block grant. No doubt some state child welfare administrators, if given a block grant today of current foster care funding, would have a very clear agenda for how they would change current spending allocations. In the first year or two years, it is likely that some states would make progress in the most visible systemic measure: the number of foster care placements.

The problem isn't in year one or two, or even five years into the future but as key Washington architects leave the political scene, state child welfare administrators turnover, and state and local budget shifts create new demands for this flexible funding. As time passes, block grants are eroded by inflation, as funding is set at the point of enactment. Almost universally, block grants are never increased. In fact, they are often cut, as has been the experience with both TANF and the Social Services Block Grant (SSBG). The reality of inflation—even if low—and potentially the changes in population needs and growth will undoubtedly reduce the value of a block grant. In addition, it becomes harder to document how

block grant funds are spent because states can spend dollars on an ever-evolving menu of spending options. As a result, spending is no longer linked to a child, a family, or a population; future legislators will leverage this lack of specific data linked to outcomes to justify reductions—or in the case of SSBG, total elimination.

Several past surveys of state child welfare financing conducted by the Urban Institute and Child Trends have demonstrated that when a state has increased flexibility in child welfare spending through flexible block grants, including the TANF and SSBG block grants, there is not a correlation to decreased foster care placements. In fact, at least some states that have the most flexibility due to the use of TANF funds have experienced significant increases in foster care placements. One state that has drawn more than 40% of its child welfare funding from that flexible block grant has experienced significant increases in foster care placements. Similarly, some other

states that draw more than a third of their federal funds for child welfare services by relying on TANF have also experienced increases in foster care placements over time.

In another state, the flexible use of foster care funding through a statewide waiver has led to claims that the new flexibility has resulted in significant caseload reductions in foster care and better services to families. The foster care funding that was freed up represents only 29% of total

federal funding with the TANF and SSBG block grants making up more than 49% of the total federal child welfare spending. Over this period, foster care placements did fall by approximately 33%, with caseloads decreasing from 21,000 in 2006 to 14,000 in 2010. However in the six years before the waiver, foster care placements dropped from 36,000 in 2000 to 21,000, approximately a 41% drop. Perhaps most importantly, it should not go unnoted that, in this instance, the state's foster care numbers decreased from 36,000 in 2000 to 14,000 over ten years while the state increased state and federal



funding from \$691 million in 2000 to \$1.17 billion in 2010. This represents a significant investment into child welfare services over that same period of time. If indeed those foster care declines are matched by improved outcomes for children in other areas (child placements, number of children aging out, maltreatment and child fatalities), perhaps the lesson here for national policy is to examine the need for greater funding. At the same time, we cannot ignore recent reports that services and protections have been lacking and that the worst possible outcome, an increase in child deaths, has been the result in some instances.

The Role of Residential Care

Much has been discussed in regard to the use of residential care for children in foster care. *The CWLA National Blueprint continues to affirm that all children have a right to nurturing and loving families and the family supports necessary to meet their need for safety, stability, and healthy development. Children also require culturally appropriate and effective assessment and treatment for traumatic stress and associated mental health symptoms. Appropriate residential care is an important part of the continuum of care for those children in foster care, and for children in other placements (including adoption or kin placements) where other interventions are not appropriate to the child's needs.*

We do not believe that national limitations or restrictions will drive best practice. We also do not believe that every placement and length of stay in residential care is appropriate. For instance, there can be general agreement that residential placement for infants and toddlers is not appropriate. Still, it must be recognized that in some extreme cases, in which children as young as three may display self-destructive or dangerous behaviors, require highly intensive interventions. (See “World of Grief and Doubt after an Adoptee’s Death, *The New York Times*, August 31, 2013).²

We believe that any restrictions and investments in residential care should be driven by evidence-based therapies, practices, and research. In addition, if a foster child remains in residential care not because their treatment is incomplete but because an appropriate setting in the community does not exist, then that is a problem we need to address separate from any time

limit issues. The fundamental challenge is then how to build the community based systems of therapeutic care needed to support children’s who are returned home or placed in foster or kinship care. This will include a greater effort to recruit and provide trauma-informed preparation and support to appropriate biological/kinship families, foster care families, and families for adoption. Any reform proposal should not assume that national caps or restrictions on the use of residential care will drive new policy if a state is not willing or able to invest in front-end interventions to decrease the number of children entering a residential facility, the challenging task of greater foster family and adoptive family recruitment, and the post-placement supports that must be available to stabilize children in these settings.

In addition, we need to examine Medicaid strategies to expand community-based waivers that can better extend services for children in foster care.

PRACTICAL OPTIONS TO ADVANCE REFORM IN CHILD WELFARE SERVICES

This section is intended to offer a number of options that can be enacted either individually or in some combination, all with the goal of moving reform forward.

OPTIONS for Title IV-E Changes

Title IV- Eligibility

Move the debate forward by changing the link between AFDC eligibility and Title IV-E Foster Care and Guardianship. Too much of the current debate is driven solely by the argument that if we do not act now, we will lose federal funds in the future. This forces some to argue for block grants and other similar proposals. Alter the current eligibility in ways that will stop the erosion—at least in the interim. This will allow us to move past the gridlock created by the de-link to address other areas of concern. Possible options that could be enacted, in part or in combination for the short term, to prevent the loss of funds include:

² This article highlights the story of a young couple dealing with their newly adopted three-year-old Russian child who displays severe behavioral problems including recurring self-injury.

- For now, freeze current funding by adjusting AFDC eligibility link to inflation. This could be done for a short period—two or three years—while reforms are phased in or enacted at another date.
- Enact a gradual de-link for other services—for example, a phased-in de-link for kinship care. This could also be adapted to include additional requirements around licensing and services. While this would not be budget neutral, it would restrain costs.
- Consider proposals to spread eligibility to all children while reducing the state match.
- Tie funding eligibility to certain practices or evidenced models, trauma-informed care, or related promising practices, which include rigorous evaluation.
- Explore linking reductions in the use of residential care to HHS certification of sufficient alternate placement resources including, but not limited to, certified therapeutic and trauma focused foster family care.
- Create a “race to the top” or incentive fund for states and tribes that can safely reduce residential treatment, measuring both permanency and therapeutic/treatment foster care.

ADDITIONAL SERVICES, EXPAND POST-PERMANENCY SERVICES

- Expand the use of post-placement services for children that are reunified. Limitations could be created through various means (12 months of post-placement therapies) or by targeting certain age groups, perhaps focusing on those with the highest rates of entry (0 through 5 and or 14 through 16). Some limitation on post-permanency would be needed, or else it will become an open-ended entitlement.

OPTIONS to Improve Title IV-B

- Improve preventive interventions by re-writing the Title IV-B- block grants, at least Title IV-B part 1, by extending funding to tribes (IV-B part 1), updating services covered, and by eliminating the grandfather clause that allows some states to use funding for foster care and adoption assistance, which will increase resources for prevention and, at the very least, restore funding cuts that have been enacted over the past decade. New definitions should include the use of funding for post-permanency services. In addition, the elimination of the grandfather clause could be phased in over two years; as federal funding for adoption assistance expands to cover all kids, no state should be using this when Title IV-E offers an entitlement source of funding.
- Tie the use of IV-B funding to the requirements under the Child Abuse Prevention and Treatment Act (CAPTA); allow funding to subsidize IDEA part C, infant and toddler services and the Community-Based Child Abuse Prevention (CB-CAP); restore the funding to its level of 20 years ago (at least \$295 million); and make all funding mandatory.
- Adopt an initiative that will incentivize state child welfare agencies and state Medicaid programs to coordinate services. Provide a combination of demonstration competitive grants to the best examples of state child welfare agencies that can successfully coordinate with Medicaid services while creating related outcome measure or targets for state Medicaid agencies.
- In addition, efforts are needed to simplify Medicaid guidance and regulations to allow better access to funding for trauma treatment for infants and toddlers, and for their parents and caretakers.



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1726 M STREET NW, SUITE 500 • WASHINGTON DC 20036 • 202-688-4200 • WWW.CWLA.ORG