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Ensuring Safe, Nurturing and Permanent Families for Children:

The Need to Reauthorize and Expand Title IV-E Waivers

SECOND IN A SERIES OF FOUR REPORTS ON IMPROVING CHILD WELFARE

The reauthorization and expansion of Title IV-E waivers is a critical stepping stone on the path to comprehensive child welfare finance reform. A much improved balance among family support services, services to extended family caregivers and foster care services can be financed from IV-E dollars in states experiencing large declines in their foster care populations. Title IV-E waivers provide an opportunity to rigorously evaluate new reform strategies and approaches to comprehensive finance reform.

The federal government spends more than $12 billion each year to support states' child welfare programs, representing almost half the funds that states expend on child welfare. The largest source of federal financing, Title IV-E of the Social Security Act, primarily pays the cost of maintaining eligible children in foster care. Title IV-E, however, does not provide jurisdictions with stable funding to support programs other than foster care, subsidized guardianship and adoption support.

Title IV-E has the potential to do more. Through IV-E waiver agreements, some states and counties have been able to use these funds more flexibly for community and home-based services that safely support vulnerable children in their parents' homes and to achieve expedited permanency for children who cannot be safely reunified with birth parents. Some states and counties have been able to reduce their foster care populations while maintaining or improving safety and permanency outcomes for children.

This white paper provides an overview of IV-E funding and IV-E waivers, and describes how some states and counties have used waivers successfully to improve outcomes for children through a more flexible use of IV-E funds.

Background

Founded in 1966, Casey Family Programs is a national operating foundation pursuing a mission to provide and improve—and ultimately prevent the need for—foster care in the United States. We recognize that ensuring safe, nurturing and permanent families for all children requires the efforts of a broad network of public and private partnerships and organizations; a widespread understanding of the importance that family connections have on a child's future; and the commitment of parents, extended family and caring adults to provide the love, support, and early learning and other developmental opportunities that every child needs.

Casey Family Programs works in partnership with child welfare agencies around the country to strengthen the ability of families to safely keep children in their own homes, and to quickly find permanent homes for children in foster care who cannot be safely reunified with their birth parents.

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The challenge for child welfare agencies, however, is that the current federal child welfare funding structure does not adequately support these efforts to improve outcomes for children and their families.

Title IV-E is the category of federal regulations that governs federal funding of foster care and adoption support. Title IV-E funds a percentage of foster care maintenance costs paid to foster parents for the care of eligible children and a percentage of states' administrative costs, such as caseworkers' salaries and benefits, expenditures for management information systems, training, eligibility determination, and other overhead expenses.

In 2006, IV-E support of states' expenditures on foster care and adoption support exceeded $6 billion, approximately 48 percent of total federal funding for child welfare. In 15 states, IV-E funds accounted for almost 60 percent of federal child welfare expenditures in 2006.

In contrast, family support services and prevention services are provided largely through much smaller funding sources such as Title IV-B and Social Service Block Grant (SSBG) funds. As a comparison, states spent $637 million in IV-B funds and $1.6 billion in SSBG funds on prevention/early intervention and in-home support services for at-risk children and children with disabilities and their families in 2006.

Title IV-E is an uncapped entitlement program, which means that states' IV-E claims can increase as the number of children in foster care increases. However, the opposite is also true: States can lose IV-E funding as their foster care populations decline. Twenty states reported a decline in IV-E expenditures between 2004 and 2006. In contrast, IV-B and SSBG are capped programs, which means that states' IV-B and SSBG claims cannot exceed an appropriated amount during a fiscal year.

A state's IV-E funding depends on the percentage of children in foster care who would have been eligible in 1996 for Aid to Families with Dependent Children (AFDC), a program that no longer exists. This percentage is known as the "penetration rate." Nationally, the penetration rate declined from 68 percent in 2000 to 57 percent in 2006. The use of 1996 AFDC income standards to determine children's IV-E eligibility is gradually eroding states' IV-E claims as the wages of low-income workers increase due to inflation and the higher minimum wage. All states rely heavily on IV-E funding to support the costs of their foster care systems, and states with high penetration rates are exceptionally dependent on IV-E support of their child welfare systems.

In 1994, Congress authorized the Secretary of Health and Human Services (HHS) to approve waivers to IV-E rules for the purpose of funding demonstration projects in state or county child welfare systems. Similar waivers are allowed through many other federal funding streams and are not limited to the realm of child welfare.

The goal of the Title IV-E demonstration projects was to generate new knowledge regarding innovative child welfare practices by allowing agencies to use IV-E funds flexibly for support of child welfare services and activities other than foster care and for rigorous evaluation of demonstration projects. Title IV-E waivers were required to be cost-neutral, which means the amount of IV-E funding committed to demonstration projects could not exceed what IV-E funding would have been in the absence of a waiver.

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Initially, states and counties used targeted waivers to test specific practices such as subsidized guardianship, which financially supports relative caregivers who assume legal custody of children. Demonstration projects in Illinois and other states found that large numbers of children and youth in long-term foster care placements could be safely moved into guardianships paid for with IV-E funds. An example of these successful demonstration projects is the Fostering Connections to Success and Increasing Adoptions Act of 2008, which made federally funded subsidized guardianship programs available to all state child welfare systems. Targeted waivers have also been widely used to test the effectiveness of specific innovative practices, such as "recovery coaches" in Illinois and other initiatives related to substance abuse assessment and treatment.

Beginning in 1997, HHS approved flexible funding waivers that allow child welfare systems to use IV-E funds to develop and expand a broad array of services needed to improve child welfare outcomes. Five states (California, Florida, Indiana, Ohio and Oregon) currently have flexible funding waivers that permit the state or specific counties to allocate IV-E dollars for prevention and early intervention as well as family support, and to expedite permanency planning. These IV-E waivers must be cost-neutral, meaning that states and counties pay for additional community and in-home services with savings they subsequently realize from reductions in the foster care population or reduced use of expensive group care placements.

In recent years, flexible funding waivers have been associated with large reductions in foster care populations in Florida, Ohio, Oregon and two counties in California: Alameda and Los Angeles. These states and counties have been able to reinvest millions of dollars in IV-E savings resulting from reductions in foster care costs in an expanded array of child welfare services and agency improvements.

The HHS Secretary continues to have the authority to extend existing IV-E waivers. However, congressional action is needed to authorize the HHS Secretary to approve new Title IV-E waivers for states interested in using them to improve their services to children and families and to rigorously evaluate their reform initiatives.

The Importance of IV-E Waivers

Flexible funding waivers are key features of child welfare reform in Florida and in Alameda County and Los Angeles County in California. These jurisdictions have developed innovative reform strategies in combination with strong leadership, utilization of administrative data, and an emphasis on parental involvement and family connections. Title IV-E waivers have permitted these jurisdictions to fundamentally alter the character of their service delivery systems and build on reform efforts previously underway to achieve a better balance between family support services and foster care services. Foster care remains an important part of these agencies' service programs, but it no longer dwarfs all other services available to children and families.

New waivers can and should be structured to evaluate new approaches to child welfare federal finance reform that retain the IV-E entitlement while permitting reinvestment of IV-E savings resulting from reductions in the state or county foster care population. New waivers also can be used to determine the costs of

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restructuring IV-E to cover a broader array of services with minimal compromises to the principle of cost neutrality. For example, new waivers might allow state and county child welfare systems to make initial investments of IV-E funds in a broader array of services and to require that cost neutrality be achieved by a specific date set forth in the waiver agreement.

The potential of IV-E waivers to spur system reform has been demonstrated in a few strikingly successful examples, but there is nothing automatic about these results. Successful reform depends on skilled and committed leadership; strong collaborations among child welfare agencies, courts and other community agencies; and buy-in and persistent attention to implementation challenges at the local level.

Until comprehensive child welfare finance reform is developed and signed into law, Casey Family Programs supports the expanded use of waivers as an interim tool to allow child welfare systems to expand and improve family support services and expedited permanency services with IV-E funds.

Examples of Flexible Funding Waivers

CALIFORNIA | ALAMEDA COUNTY

Title IV-E waiver funds have been utilized by Alameda County's child welfare agency and by the probation department to: add 43 new staff and six attorneys; expand the Another Road to Safety Program to stabilize and strengthen families and prevent foster care placements; expand family finding services to locate extended family members for children needing foster care; work with local courts to expedite permanency planning; and assist with legal fees to support diversion of children in foster care to relative guardianships.

The Alameda County Department of Children and Family Services reduced its foster care population by 21 percent in the two years after the program's July 2007 implementation. In the second year of the waiver, $4 million in savings were reinvested in system improvements. Much larger additional savings and reinvestment is anticipated in the third year of the waiver.

CALIFORNIA | LOS ANGELES COUNTY

The IV-E waiver has allowed Los Angeles County's Department of Children and Family Services (DCFS) to fund a comprehensive five-year reinvestment plan. DCFS initially focused its efforts on reducing the number of children in long-term foster care, especially those living in group homes and other institutionalized settings. Specialized Youth Permanency units were developed that gave caseworkers fewer cases to manage as well as intensive training and support to work with youth at risk of aging out of foster care without a permanent family. In the second phase of implementation, DCFS expanded the use of family conferences and in-home family preservation services to reduce entries and re-entries into foster care. DCFS also invested savings resulting from reduced foster care caseloads into comprehensive community-based prevention services.

Title IV-E waivers have permitted jurisdictions to fundamentally alter the character of their service delivery systems and build on reform efforts previously underway to achieve a better balance between family support services and foster care services.

The number of children in foster care in Los Angeles County declined from 50,000 to 25,000 in the decade preceding the beginning of waiver implementation in July 2007. The steady reduction in Los Angeles County's foster care population has continued since the waiver went into effect. There was a 23 percent reduction in the county's foster care population between July 2007 and February 2010. The number of children placed in group homes and other institutionalized settings declined by more than one-third during this same period.

FLORIDA

The implementation of Florida's IV-E waiver began in October 2006. Florida is a privatized child welfare system in which 20 lead agencies manage service delivery in Florida's 67 counties. These lead agencies have funded a wide array of prevention and early intervention services, as well as services designed to find permanent families for children in foster care who cannot safely be returned to birth parents. Most lead agencies have expanded diversion services, including intensive in-home services that utilize a family team approach and that support families through a variety of educational and concrete services, such as homemaker services. Florida's lead agencies have also made major new investments in family team meetings and enhanced relative search, and in specialized staff who expedite permanency planning and ensure that children are placed in permanent homes that can meet their needs.

Florida's foster care population declined from almost 29,000 children in FY 2006, when the waiver agreement was signed, to 18,534 children in care in February 2010, a reduction of more than one-third in less than four years. Some Florida counties have reduced their foster care populations by 50 to 60 percent since the waiver was implemented. It is apparent that Florida's lead agencies have developed a new paradigm of child protection based on strengthening in-home services to children and families. It is extremely encouraging that during the timeframe that entries decreased, maltreatment recurrence also declined significantly and is currently consistent with the national average.

INDIANA

Indiana is in the last few months of a five-year waiver extension that began in 2005. All 92 Indiana counties are eligible to participate in the waiver, but past evaluations have found that counties have widely varying rates of participation. Each participating county receives a specific allocation of waiver dollars that can be used to purchase services for eligible children and families. Four thousand children can be served through the waiver at any one time. The goals of Indiana's waiver are to prevent foster care placements, especially in institutional settings; reduce children's length of stay in foster care; decrease the incidence and recurrence of child maltreatment; and enhance child and family well-being. The evaluation of the waiver matches children served through the waiver to children with similar characteristics not in the waiver program.

Children and families included in the waiver have been consistently more likely to receive family preservation services, concrete services such as clothing and household goods, more individual counseling, child care, respite care, parenting education and support, recreational services, and educational assistance. In May 2005, the evaluator, James Bell Associates, commented that “Indiana’s evaluation has offered the most conclusive results regarding the effects of a flexible funding waiver on placement avoidance.” Children served through the IV-E waiver have had significantly lower rates of foster care placement, lower rates of institutional placement, increased rates of completed permanency plans, reduced length of stay in foster care, lower rates of re-entry into foster care, and more positive changes in child and family well-being.

Indiana’s foster care population has steadily increased from slightly fewer than 7,500 children in 2000 to almost 12,500 children in 2008. Indiana’s waiver has functioned as an important “learning lab” regarding child welfare practice, but of the 4,000 slots available in the waiver, only about 2,700 children are being served at any one time. The number of children funded through the waiver has not been large enough to prevent the state’s increase in its foster care population.

OHIO

In Ohio’s IV-E waiver extension, ProtectOhio (2004-2010), 18 participating counties (serving one-third of the state’s foster care population) have prioritized implementation of a specific set of services including family team meetings, visitations between parents and children in foster care, and services to stabilize children’s placements. Demonstration counties in ProtectOhio have consistently shown briefer lengths of stay in children’s first placements, greater success in completing permanency plans for children in long-term foster care, higher rates of adoption, and a higher proportion of children exiting foster care to extended family caregivers without a decline in child safety measures. For the two-year period ending September 30, 2009, the ProtectOhio demonstration group generated internal savings of 329,441 placement days.

Ohio’s foster care population declined from 20,365 in 2000 to 17,446 in 2005; the state’s foster care population has continued to decline and was 12,360 at the end of 2009, a 29 percent decrease since 2005. Counties participating in the waiver have experienced much larger reductions in their foster care populations than comparison counties.

Ohio’s initial IV-E waiver (1997-2002) authorized 14 (of 88) counties to experiment with various managed care strategies to “improve child welfare outcomes while controlling child welfare spending,” according to evaluator James Bell Associates. Child welfare outcomes and fiscal management in these experimental counties were compared with 14 counties where the waiver was not in effect. Waiver counties were found to be more likely to engage in joint funding and cost-sharing mechanisms with other agencies than were non-waiver counties. However, evaluation of the initial waiver found “few differences between experimental (waiver) and comparison (non-waiver) counties in terms of improved service availability, the array of new services, or timely access to services, with the exception of placement prevention services,” according to the Administration for Children and Families. Ohio is using its current waiver to improve and expand family-centered services rather than test approaches to managed care.

Casey Family Programs believes that a predictable and consistent federal funding stream is essential to provide state child welfare systems with greater financial stability so that reform initiatives can be sustained even when states are in fiscal crisis.

OREGON

Oregon's five year IV-E waiver extension (2005-2010) has funded approximately 100 local pilot projects intended to improve outcomes measured in the federal Child and Family Service Reviews (CFSRs) and to achieve foster care reductions. Title IV-E funds have supported projects such as parent mentoring programs for parents whose children are in foster care, enhanced visitation programs, family meetings, housing support, culturally focused services for tribal children, relative search, support for relative caregivers and parent training programs. Oregon has also used IV-E waiver funds to support subsidized guardianships for both relative and non-relative guardians. Oregon's 2010 IV-E waiver renewal request narrows the number of pilot efforts and expands access to and evaluation of parent mentoring, enhanced visitation and tribal programs as well as subsidized guardianship for non-relatives.

Since 2005, the IV-E waiver has been a valuable tool supporting Oregon's strategic effort to safely and equitably reduce the state's foster care population. The number of children in foster care in Oregon has declined from 11,000 in 2005 to 8,600 in 2009, a 22 percent reduction. Oregon's initial waiver was not targeted to achieve foster care reductions whereas this is an explicit goal of the current waiver.

What's at Stake

The flexible funding IV-E waivers illustrate how changes in federal funding policy can support ambitious child welfare reform initiatives that seek to achieve a better balance between and among early intervention in-home services, foster care services, reunification services, and expedited permanency services. States and counties with IV-E waivers have had varying levels of success in using waivers to improve their child welfare systems, and it is evident that the states that have had flexible funding waivers since 1997 have gradually learned how to better utilize their waivers to achieve their reform goals. Title IV-E waivers should continue to be viewed as experiments that have important learning goals, and they should build on "lessons learned" from past waivers.

A small number of child welfare jurisdictions have demonstrated how flexible funding IV-E waivers can allow for substantial reinvestment of IV-E savings in child welfare improvements. These strikingly successful examples of major child welfare reforms financed with IV-E savings should inform the goals, evaluation designs and funding formulas for a new round of flexible IV-E waivers.

Flexible funding waivers eliminate disincentives and add a powerful incentive to improve outcomes for children while safely reducing foster care populations. If IV-E funds are invested in "front end" early intervention and family support services, agencies must achieve foster care reductions or reductions in expensive group home care to maintain cost neutrality. On the other hand, if child welfare agencies experienced foster care reductions prior to signing a waiver and believe that additional reductions are possible, a waiver agreement prevents further loss of IV-E funds for the life of the agreement.

In addition, IV-E waiver agreements stabilize child welfare funding over a period of several years. A recent Child Trends report stated that "it is not unusual to see a state's total child welfare spending shift by 30 percent in two years." This degree of volatility in states' child welfare budgets makes it difficult to invest in reforms that require several years to implement. Particularly at a time when state governments are under extreme pressure to cut budgets, IV-E waiver agreements provide managers with some assurance that their child welfare budgets will not be cut to the extent that reform initiatives are crippled.

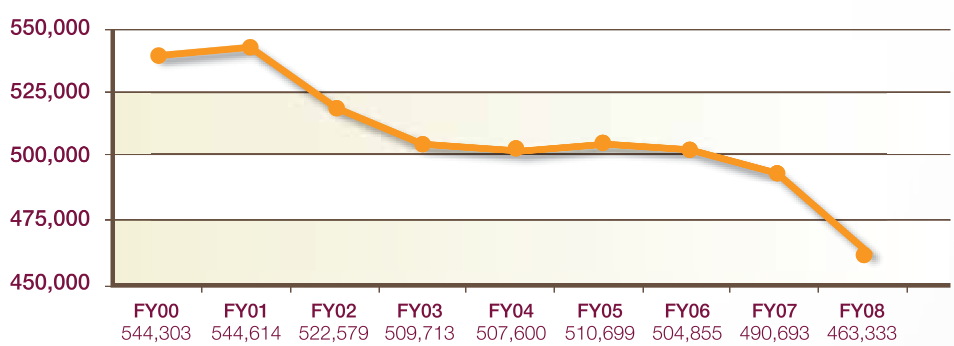
Casey Family Programs believes that a predictable and consistent federal funding stream is essential to provide state child welfare systems with greater financial stability so that reform initiatives can be sustained even when states are in fiscal crisis.

Conclusion

Casey Family Programs believes that now is the time for comprehensive federal child welfare finance reform. There has been a steady reduction in the nation's foster care population during the past decade. The number of children in foster care declined by 17 percent or more in 15 states between 2001 and 2008. Some of the largest recent declines have occurred in states or counties with IV-E waivers. Nationally, there are about 80,000 fewer children in foster care currently than in 2000. There is a rare opportunity in states experiencing large reductions in foster care to fund child welfare reforms that have been promoted for decades by many advocates and researchers without having to make large new investments in child welfare.

Policymakers have a once-in-a-generation opportunity to create lasting reforms by reallocating IV-E foster care savings to prevention, early intervention, family support and expedited permanency services. Expanded use of IV-E waivers will allow additional child welfare systems to take immediate advantage of this opportunity.

Total Number of Children in **Foster Care**



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