



Federal  
finance  
reform:

Lessons  
learned from  
Title IV-E  
waiver  
demonstration  
projects

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**SAFE  
STRONG  
SUPPORTIVE**

safe children | strong families | supportive communities

## Introduction

Historically, child protection agencies have depended on foster care as the primary intervention for keeping children safe. While the original intent of foster care was to provide abandoned or orphan children with family-like care rather than institutional care, foster care has shifted over time to become the primary intervention for children who are at risk of or are experiencing abuse or neglect.

However, research indicates that simply placing children in foster care is not delivering desired outcomes. Foster care placements do not guarantee safety, and they must be balanced against the emotional trauma that is likely to occur when children are removed from their families. In addition, children in foster care have worse outcomes on average than their peers on every measure of well-being, such as high school graduation rates, unemployment, homelessness, and use of psychotropic medications.

Yet the major federal funding source for child welfare, Title IV-E, primarily pays for maintaining eligible children in licensed foster care. In fact, recent research shows that the most significant risk factor related to children's ongoing safety is that they have been referred to a child protection agency — not that there was a finding of child maltreatment or placement into foster care. Nonetheless, the federal government continues to pay for a historical response that is not evidence-based, rather than paying for services for families before and after contact with the child protection agency. While smaller federal funding streams are available for prevention and early intervention services, the majority of child welfare federal funding cannot be used to serve children who are not placed in foster care.

At Casey Family Programs, we believe that now is the time for child welfare federal finance reform. Founded in 1966, Casey Family Programs is a national operating foundation with 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 and support that every child needs.

We know that child welfare federal finance reform is possible, and we already have started learning ways in which federal funding can be aligned with child welfare goals of safety, permanency and well-being. Much of this learning has come through the Title IV-E Waiver Demonstration Projects (also referred to as “IV-E waivers”), which provide state and eligible tribal child welfare agencies with the flexibility to use IV-E funds to address the needs that they identify as most important in their communities. States have widely varying strengths and needs, and the flexibility provided by the waivers supports the uniqueness of each state. At the same time, the IV-E waivers have provided an infrastructure of shared accountability between states and the federal government through negotiated state plans.

Since IV-E waivers were reauthorized in 2011, 31 jurisdictions — 29 states, the District of Columbia and the Port Gamble S'Klallam Tribe — received approval to operate a IV-E waiver, including states that previously had waivers. Such widespread interest demonstrates that child welfare agencies desire the flexibility to select and pay for strategies that meet the needs of the children in their communities. While many states already use local and state funding to pay for prevention and early intervention services, their ability to do so can be greatly expanded and enhanced with the ability to use federal dollars as well.

Although the majority of states are still in the beginning stages of implementing their waiver demonstration projects, we already know that the waiver process has changed the way that states approach the work of child welfare. Rather than determining what federal funding will pay for and then providing those services, waiver states are first identifying the unique needs in their communities and the outcomes they want to achieve, and then choosing evidence-based or promising practices to meet those needs.

This shift in thinking is significant: rather than simply responding after children are harmed, jurisdictions with waivers envision what their communities would look like with thriving children and stronger families, and then develop a plan to achieve that vision. Together, the federal government and waiver states are redefining who is in need of services and what services should be available to them to achieve shared goals.

While waivers are not the final answer, they provide valuable lessons that we can use to achieve federal finance reform. Casey Family Programs believes that change is needed to create a federal child welfare financing structure that better targets federal resources to improve the safety, permanency and well-being outcomes for children. Casey Family Programs believes that the goal of child welfare federal finance reform should be to align federal financing with desired outcomes for children and families, while providing states greater flexibility for using their federal dollars effectively.

As we are learning from the current IV-E waiver experiences, states can accomplish these changes within the current levels of federal funding. With this flexibility, states are able to decrease the use of high-cost practices that do not work, such as congregate care placements and foster care in general, and increase investment in interventions that have proven effective in keeping children safe and in permanent homes and that are tailored to the needs of their community.

The following section presents lessons learned from states that serve as the foundation for Casey Family Programs' thinking about child welfare federal finance reform.

### **Lesson 1: It is possible to expand the population eligible for federally funded support within current funding levels.**

The federal government has a critical role to play in serving children at risk for or experiencing child abuse or neglect. The current eligibility requirement for IV-E federal support is based on a defunct Aid to Families with Dependent Children (AFDC) formula. Although AFDC was eliminated in 1996 and replaced with the Temporary Assistance for Needy Families (TANF) program, a child's eligibility for IV-E funding remains tied to the AFDC income standard.

Because AFDC standards have not been adjusted for inflation, the percentage of families eligible for these resources has declined. According to a 2014 Child Trends survey, federal IV-E funding decreased 12 percent between FY 2010 and FY 2012, in part because a higher percentage of children in foster care are ineligible for Title IV-E funding. The survey also indicated that states are spending flexible federal child welfare funding sources, such as TANF and Social Services Block Grants, on foster care and child protection services. The decrease in IV-E funding appears to be pressuring states to use these flexible funding sources on what are traditionally IV-E expenditures, rather than on prevention and early intervention services. The current AFDC criteria do not maintain federal funds at a level that reflects the federal commitment to vulnerable children or that keeps pace with the nation's changing financial landscape.



The waivers demonstrate that it is possible to serve an expanded population within current funding levels. The waiver authority exempts states from IV-E eligibility requirements but requires states to remain cost-neutral. Of the 17 states awarded waivers in 2012 and 2013, 11 are using their waivers to target all children who are screened in for abuse and neglect, regardless of IV-E eligibility, by investing in the expansion of in-home services and in services to help reduce out-of-home placement. Three states are specifically targeting younger children (0 to 3 or 0 to 5 years old) by expanding the use of evidence-based programs and promising programs within this population. In addition, four states are using their waivers to specifically target older youth in congregate care to reduce the use of residential placement.

In addition, 13 states are using their waivers to implement or expand the use of clinical and functional assessments to determine whether a child is at risk of harm and in need of services, and to better measure the needs of those children entering foster care. Six states are implementing the Child and Adolescent Needs and Strengths (CANS) Assessment, five states are working with a variety of trauma screening tools, and two states are implementing Structured Decision-Making (SDM) tools. States are using the assessments for the purpose of determining the level of risk to the child's safety, informing placement decisions, matching trauma-informed and behavioral health services to the needs of the youth in the system and matching developmental services to young children involved in the system.

## Lesson 2: States are targeting federal dollars to more effective interventions that promote prevention and permanency for children within their family as an alternative to longer stays in foster care.

Approximately 80 percent of children enter care because of neglect and related issues, including parental substance abuse, mental health problems, caretaker inability to cope and inadequate housing. Rather than removing children from their homes for these reasons, access to a broader array of services could help to prevent the need for placement in foster care, while keeping children safe from harm. Research has shown that children experience better outcomes when they and their parents have access to timely and effective services that help improve parental capacity to protect and nurture children.

Currently, the majority of federal funds that support child welfare services are available only after child maltreatment has occurred and children have been removed from their homes. In contrast, the federal funding for prevention, in-home services and post-permanency services, which are focused on keeping children with their families, represents a much smaller percentage of federal funding for child welfare. In FY 2012, for example, Title IV-E funding for foster care spending constituted 51 percent of the total dedicated federal spending on child welfare, compared with 5 percent for federal Title IV-B dollars, which states can spend on prevention and post-permanency services. Restricting the use of federal

### Spotlight on Utah

The IV-E waiver provided the first real opportunity for Utah's child welfare agency to ask itself, "What do we want to accomplish for Utah's children and families?" Through this process, Utah crystallized its vision: to keep children at home whenever safely possible.

Without the IV-E waiver, Utah was limited in its ability to provide in-home services. But through the flexibility provided by the waiver, Utah's new HomeWorks program combines a trauma-informed workforce equipped with evidence-based tools such as a child safety and risk assessment (CANS) and Utah's family assessment (UFACET), together with evidence-based services, to keep children who might have otherwise been removed from their families at home. Involving stakeholders in the visioning and implementation process has been integral to the development of HomeWorks.

funds to foster care hinders a state's ability to build a comprehensive service array.

Child welfare waiver demonstration projects illustrate how states can redirect federal dollars to expand their continuum of services within current funding levels. States are reinvesting federal funds into the front-end of their service delivery continuum and using IV-E dollars to fund post-permanency services to safely keep children safely at home. Each waiver state has tailored their strategies to best fit their communities' needs.

Three states are implementing Differential Response, a service delivery system that serves low- and moderate-risk cases with no safety concerns that come to the attention of the child protection agency. The child protection agency conducts an assessment and partners with families to address immediate concerns and to help mitigate future child safety issues. Seven states are implementing or expanding their use of concrete supports and assistance so that parents can meet the basic needs of their families.

Many waiver states are investing in evidence-based parenting programs designed to increase parents' ability to protect and nurture their children. Six states are implementing evidence-based parenting programs that emphasize the child-caregiver relationship and promote attachment, such as the Positive Parenting Program (PPP) and Parent-Child Interaction Therapy (PCIT), while four states are using promising parenting programs, including the Nurturing Parent Program (NPP). Nine states are implementing or expanding trauma-informed therapeutic programs that are evidence-based, such as Trauma-Focused Cognitive Behavioral Therapy (TF-CBT) or Multisystem Therapy for Child Abuse and Neglect (MST-CAN).

In addition, some states are focusing their waiver on keeping children stable at home once they return. A few states are using waiver funds to offer post-permanency services to families, such as counseling and wraparound services. One state has chosen to use its waiver to reduce re-entry into care by developing a 12-month post-reunification support period. During this time, families receive intensive family support services to help improve the safety and well-being of children who are reunified with their families.

### Lesson 3: Partnerships that allow state flexibility with shared accountability for outcomes are effective.

Currently, the federal government holds states accountable for safety, permanency and well-being outcomes through the Child and Family Service Reviews (CFSRs). States that do not

#### Spotlight on Arkansas

Even before the waiver, Arkansas knew that it wanted to transform its child protection agency with a variety of evidence-based and evidence-informed practices implemented along the child welfare continuum. The waiver provided both a funding mechanism to finance their system reform as well as a process mechanism to define what the reform would look like. Using implementation science, Arkansas identified the best tools and practices for its needs.

Arkansas is now using the Child and Adolescent Needs and Strengths (CANS) tool to improve assessments of children at risk as well as the family version of the CANS, the Family Advocacy and Support Tool (FAST), to better connect families to appropriate resources and supports. New practices include Team Decision-Making to increase family engagement and Nurturing Parents to strengthen both in-home and out-of-home services, while current practices such as Differential Response and Permanency Roundtables are also being expanded to improve prevention and permanency efforts. The waiver has allowed the state to expedite implementation of these new tools and practices, and to do so in a sustainable way.

meet federal expectations are required to enter into a Performance Improvement Plan (PIP) and can be assessed financial penalties if they do not achieve performance targets specified in the PIP. Rather than focus on compliance, Casey Family Programs believes that the federal government and states should partner in working toward shared goals and improved outcomes for vulnerable children and families.

The experiences of the waiver states continue to inform us about the importance of a shared accountability framework in the form of a multi-year state plan. State waiver plans developed through a series of negotiations with the federal government yielded components of successful frameworks, such as the definition of an at-risk population, investment in evidence-based and promising programs, negotiation of the Title IV-E fiscal strategy, coordination of funding streams with other agencies and the incentivizing of desired outcomes. States are using the waiver process as an opportunity to fully realize the vision of their child protection agency and what they believe they need to best serve children and families. Some states have chosen to use the waiver as a catalyst for operationalizing broad systems-level change, while other states are using a targeted approach for a specific set of services or target population.

### Spotlight on Illinois

Although Illinois consistently has a low rate of entries into care, through careful data analysis, the state discovered that the vast majority of children that were coming into care were infants and young children between the ages of 0 and 5 years. Moreover, the data indicated that if the children did not achieve permanency within 12 months, they were at risk of staying in care longer than any other cohort.

Relying on the data was key to shaping Illinois' vision, as older youth were previously perceived as the cohort that stayed in care the longest. Also key to Illinois' waiver was their partnership with local agencies and universities, which helped them develop their strategy for reducing the number of babies in care. The result is Illinois Birth to Three (IB3), which will provide Nurturing Parent Program and Child-Parent Psychotherapy to young children 0 through 3 years in out-of-home care in Cook County, with the goals of increasing permanency, reducing re-entry into care, reducing trauma symptoms and improving overall child well-being.

## Conclusion

The time for child welfare federal finance reform is now. Our children cannot wait; they need more from the federal government than simply foster care. We know that more children and families can benefit from an expanded service array, and we know that there are effective strategies to help families become stronger so that they can safely care for their children. The majority of states are already working with the federal government to demonstrate that, when given the opportunity, federal dollars can be invested in a smarter way that delivers better outcomes for children and families. Casey Family Programs applauds these states and the federal government for showing us what is possible.

However, waivers are not enough. IV-E waivers are a temporary solution to an urgent problem. Federal funding policy remains out of alignment with the outcomes that are best for children and families. Comprehensive child welfare federal finance reform is needed so that all states have the flexibility to provide effective services for their most vulnerable populations — not just for five years, but for the long term. The child welfare federal financing system must be restructured so that states can make smarter investments with existing resources — investments that can help more children grow up in safe, stable, and nurturing families that they can call their own.

