



National Association of Public
Child Welfare Administrators

an affiliate of the American Public Human Services Association

Child Welfare Finance Reform Policy Proposal

Policy Statement

Children have a right to be protected from harm within the context of a safe and stable family. At the same time, families have the right and a responsibility to raise their children. Balancing these rights for safety and permanency in diverse populations is one of the principal challenges facing public child welfare agencies.

To meet the challenge, public child welfare agencies have a responsibility to provide the range of preventative and/or supportive child welfare services that best fits the needs of children and families within the context of their respective communities. Serving children in their own communities addresses the overrepresentation of children of color and in so doing, the preference for serving children in their own home is an abiding objective.

By virtue of their right to protection, a child's eligibility for child welfare services should not be abridged for any reason. Nor should access to and utilization of services be influenced unduly by the ways in which services are financed. Federal, state, and local financing should promote flexible, context sensitive investments in a mix of services within an overarching framework of accountability.

The Continuum of Child Welfare Services

State and local child welfare systems differ as a matter of governance, tradition, resources, advocacy, and leadership. That said, because maltreatment has many causes, the continuum of child welfare services ought to include a broad range of community-based programs that support families, promote the general well-being of all children, and prevent the incidence of maltreatment or other conditions that lead to child welfare service involvement (e.g., abuse, neglect, dependency, delinquency and mental health).

To address the various needs of children and their families, the continuum of child welfare should include the following services:

- ***Promotion, endorsement & encouragement:*** Child welfare agencies promote, endorse and encourage child well-being by building community awareness and other supports in communities thereby helping all families raise their children safely.
- ***Prevention:*** Child welfare agencies work with communities, identify at-risk families and children, and provide various types of services as a strategy to prevent maltreatment or other conditions that lead to children becoming involved in the child welfare system.
- ***Protection:*** Child welfare agencies accept reports of maltreatment, assess families where an

allegation of maltreatment has occurred, and provide a range of protective services to strengthen families. Protective services may include in-home family services and out-of-home care.

- ***Placement and Permanency:*** Child welfare agencies place children out-of-home as a temporary option. During the time children are in placement, child welfare agencies provide (or cause to be provided) services that ameliorate the problems in the family that led to placement. Child welfare agencies also provide (or cause to be provided) services that address the well-being of children. When a child can no longer return to his/her family of origin, an alternative permanency placement is made with a relative or non-relative care provider through adoption or guardianship.
- ***Post Permanency (aftercare):*** Child welfare agencies support children and families through the transition following placement, whether the child has been reunified, adopted, placed with a guardian, or has reached adulthood.

Supporting the Continuum of Services

Funding for the child welfare service continuum is a responsibility shared by the federal, state, and, depending on the state, local government. The balance of responsibility across levels of government is best understood by considering the statutes, regulations and policies governing the use of the primary federal funding sources for child welfare – Titles IV-B and IV-E of the Social Security Act. Those titles determine:

- Who is eligible for the services (the covered population); and,
- The services that are funded (the covered services).

The table on page 3 summarizes federal, state and local investment in funding a continuum of child welfare services, from the perspective of covered populations and covered services. The notation “very limited” and “limited” reflect the fact that although the service continuum is comprehensive, federal participation via Title IV-B and IV-E is limited relative to the state and local contribution.

Notwithstanding the important role of Medicaid, TANF, and smaller, program specific funding sources (e.g., CAPTA, Chafee), federal support covers a relatively narrow segment of both the population and service continua. As such, federal funding is not aligned with the broad mandate contained in the various statutes that define federal child welfare policy.

For the most part, the clearest connection between federal support and public child welfare services is around foster care; services that involve promotion, prevention, protection, and post-permanency (notwithstanding adoption assistance and guardianship) receive minimal support on balance, especially when considered in light of local contribution. The analysis is not meant to diminish the importance of federal investments. It merely points out that state and local contributions make up more than 50% of total spending on the range of child welfare services needed to promote the well-being of vulnerable children.

Table 1
 Helping Families Raise Children in a Supportive Environment
 Covered Populations and Covered Services by Revenue Source: Current Context

Federal, State and Local Effort Connected to Title IV-B and IV-E						
	Revenue Source	Promotion, endorsement, encouragement	Prevention	Protection	Placement/ Permanency	Post-Permanency
Covered Population	Federal	No	Very limited	Very limited	Limited	Limited
	State/Local	Yes	Yes	Yes	Yes	Yes
Covered Services	Federal	Limited	Very limited	Very limited	Limited	Limited
	State/Local	Yes	Yes	Yes	Yes	Yes

Child Welfare Financing Reform Goals

There are three primary goals for federal finance reform:

1. Expand covered services by allowing states to use Title IV-E funds on services other than foster care so as to better meet the policy statement outlined on page 1 of this document.
2. Expand covered populations by delinking IV-E eligibility from the (1996) AFDC standard.
3. Maintain federal investment in Title IV-B and IV-E to meet the needs of children who come to the attention of the child welfare system and their families.

NAPCWA’s basic proposal would add minimal costs to the federal government because it focuses on utilizing existing resources more effectively. Costs are contained through changes to the formula structure. The proposal also calls for recovery of FFP that was lost in recent years for one of two reasons:

- A. Erosion of penetration rate because eligibility relies on the 1996 AFDC income standard.
- B. Because in recent years, a number of states have seen their foster care caseloads drop thereby reducing federal outlays and shifting costs to the states.

The proposal has eight objectives, which will be more fully described in the pages that follow:

1. **Preserve federal protections required in Title IV-E**, including the requirement for states to make reasonable efforts to prevent removal and finalize a permanency plan, for judges to make a contrary to the welfare determination and for licensing of out of home care settings.
2. **Preserve the entitlement to foster care** if the population of children in out-of-home care increases. This maintains the local/state/federal partnership for children in need of protection. The proposal also calls for a more diversified approach to risk sharing across a range of circumstances.

3. ***Extend eligibility for Title IV-E to all children*** regardless of family income and circumstances while preserving the state’s obligation to seek child support from families
4. ***Align federal financing with desired outcomes for children*** by allocating resources across a continuum of services.
5. ***Align federal funding with requirements of the Child and Family Services Review (CFSR)*** outcomes by funding of a continuum of services.
6. ***Require a maintenance-of-effort*** by state and federal governments. As states opt to meet the needs of children and families by choosing alternatives to foster care, federal, state, and local funds that would otherwise support foster care shall be retained in the child welfare system in order to support the availability of those service alternatives. When funds for the foster care system are redirected to service alternatives, the federal/state/local shares of those funds will be preserved as though the funds were being spent on foster care.
7. ***Streamline administrative requirements*** across federal child welfare programs (CAPTA, Title IV-E, etc.).
8. ***Contain cost*** to the federal government by establishing a new state specific participation rate.

Detail on Child Welfare Financing Reform Objectives

1. ***Preserve federal protections required in Title IV-E***, including the requirement for states to make reasonable efforts to prevent removal and finalize a permanency plan, for judges to make a contrary to the welfare determination, and for licensing of out of home care settings.

The proposal would not alter key federal protections related to child safety and avoidance of out of home care.

2. ***Preserve the entitlement to foster care*** if and when the number of children in care increases. This maintains the local/state/federal partnership for children in need of protection.

During times of rising demand for foster care (higher admission rates, longer duration, or increased use of high levels of care), the entitlement to foster care protects the ability of states to claim federal reimbursement without limit provided the claim is made on a behalf of an eligible child.

To preserve this feature of the entitlement, nothing in the proposal would limit a state’s ability to claim on behalf of eligible children placed in foster care, just as they would now. The entitlement to foster care is an important social protection. By preserving the ability of states to claim for all the foster care they use, the protections associated with the entitlement are left intact.

The proposal also calls for a more diversified approach to a range of risks including both upside and downside risks as they relate to the established federal floor. These are described more fully in the risk sharing/MOE Appendix – Appendix I.

3. ***Extend eligibility for Title IV-E to all children*** regardless of family income and circumstances while preserving the state’s obligation to seek child support from families.

The proposal seeks to make all children placed in foster care eligible for federal reimbursement.

To add only minimal costs, a new state-specific federal match rate would replace the current formula, following a period in which states have the opportunity to improve penetration rates.

As part of this proposal, NAPCWA also recommends eliminating the delink phase-in on adoption assistance payments introduced as part of the Fostering Connections and Increasing Adoptions Act of 2008. That is, adoption assistance payments would be delinked from income eligibility. Doing so would eliminate eligibility determinations altogether. If the current phase-in is preserved states would be left with a residual obligation to track eligibility.

This goal recognizes that all children who come to the attention of the child welfare agency deserve federal support.

4. *Align federal financing with desired outcomes for children* by flexibly allocating resources across a continuum of services.

This proposal would permit states to reallocate Title IV-E maintenance funds to their Title IV-B program, *provided there are bona fide reductions in the utilization of foster care*. Reductions in the utilization of foster care would entail reductions in admission rates, reductions in how long children stay in care, and changes in the utilization of high-end services such as group care, *so long as those reductions are consistent with maintaining the safety of children*. This strategy supports the public policy to keep families together whenever that is safety possible.

The provision would create a *floor* below which federal support for states would not fall. This is very different from other proposals that increase state flexibility over the use of federal funds. Other proposals often use a ceiling (or the amount above which federal support will not go) in exchange for flexibility. The notion of a floor advances federal participation in a way that is directly connected to outcomes.

5. *Align federal funding with Child and Family Services (CFSR)* outcomes by allowing funding of a continuum of services.

By strengthening the connection between oversight and how the system is financed, public child welfare systems will be much more transparent than in the past. The current CFSR is a potentially valuable process. To maximize the value of CFSRs, two shortcomings should be addressed.

- a. In a number of ways, the CFSR measures fail to accurately capture state performance or change in state performance.
- b. The breadth and depth of federal oversight is not aligned with federal investment in child welfare outcomes for children and their families. In fact, many of the improvements states undertake pursuant to program improvement plans lead directly to reductions in federal financial support because they result in fewer children in foster care.

6. *Require maintenance of effort* by state and federal governments.

The financing proposal creates flexibility for states in the way they can use federal dollars for child welfare services. NAPCWA proposes that the obligation to match federal dollars with state or local dollars continue. This will continue the current mutual commitment of federal, state and local governments to assure safety, permanency and wellbeing for children and their families – but it will target available dollars flexibly to the needs of the children, rather than to support out of

home care.

For example, if a state operates a \$250 million foster care program and splits the cost of operating the program 30%/70%, then a 10 percent reduction in foster care utilization would yield \$25 million in ‘unexpended foster care funds.’ Under the terms of the APHSA/NAPCWA proposal, both the federal share (30% of \$25 m) and the state share (70% of \$25 m) would be retained in the child welfare system to support alternatives to foster care. The federal share would be retained via the transfer provision; the state share would be retained through the MOE. Details are included as part of Appendix I

7. **Streamline administrative requirements** across federal child welfare programs (CAPTA, Title IV-E, etc.).

Currently, states spend a considerable amount of human and IT resources on determining eligibility and then subsequently undergoing multiple audit processes that often have requirements that are in conflict with each other. Streamlining and/or consolidating these various audits and program improvement plan reporting requirements would maximize organizational efficiencies and resources to better serve children and families.

8. **Contain costs to the federal government** by establishing new state specific participation rates.

In the short to medium term, the proposal to eliminate income eligibility as a condition for Title IV-E support should add minimal costs to the federal government due to the use of a new state-specific match rate. That said, states are concerned about the historic erosion of federal support that has resulted from the continued reliance on the 1996 AFDC look-back.

Certainly, increases in federal support for the array of services may from time to time be necessary in order to address such issues as equity in federal support.

Funding Mechanism in Brief

NAPCWA’s proposal relies on two concepts:

- **Flexibility** – The notion of flexibility refers to the ability of states to expend revenue that would have otherwise supported foster care on services other than foster care for the expressed purpose of reducing the demand for foster care. The flexibility component of the proposal would alter the current incentive structure which favors placement by virtue of the fact the federal reimbursement to states requires a claim for foster care. When states elect to use alternatives to foster care to meet the needs of children and families, the reduction in foster care utilization produces a dollar-for-dollar reduction in federal revenue to the states, even though the pursuit of service alternatives is fully consistent with federal mandates and CFSR requirements.

The flexibility proposal is predicated on a baseline expected utilization of foster care. The number of care days in the baseline would, under the current system, be used to determine the level of federal revenue given the number of days provided to eligible children. Under the NAPCWA proposal, the baseline would provide the floor below which federal revenue would not fall. Should a state successfully reduce the demand for foster care, the claimable days would fall below the projected number thereby producing a gap between days used and the projected number. The federal share of the revenue gap would be preserved for transfer into the state’s Title IV-B program (for example) so that those dollars could be expended on those

programs that yield a reduction in foster care.

For example, community based prevention programs would reduce the number of children admitted. Lower admission rates would, all things being equal, reduce care days relative to the baseline. Similarly, interventions that reduce time in care (e.g., court improvement projects) would reduce length of stay, an effect that would reduce utilization relative to the baseline. The ‘dollar value’ of these days averted can be calculated and then deducted from the baseline so as to represent the amount to be transferred into foster care alternatives. The federal share would be retained, as would the state’s obligation via the MOE.

One virtue of the transferability agreement is that it protects the entitlement to foster care. That is, the expected care days serve as the basis for determining whether state performance improves relative to the expectation. Should the demand for foster care rise above the baseline, states would claim for those days *just as they do now under the terms of the entitlement*. If foster care utilization rises because of unexpected social calamities (e.g., drug epidemics, recession), states can absorb the increased demand through the mechanisms now in place. However, in the context of the transfer proposal, overall accountability is improved because increased claims come in a context where expectations for the future have been more clearly defined.

In this way, all the stakeholders will have a deeper understanding of state performance and why claims are either rising or falling. Functionally, it means that the baseline serves as the floor below which federal participation will not fall, an idea which actually strengthens the very meaning of the entitlement because the ‘dollars will follow the children’ in ways that are now simply not possible.

- ***Delinkage*** – At the present time, the IV-E board program (the largest source of federal child welfare revenue) covers children whose families have income (and other resources) at or below the level that would have made them eligible for AFDC in 1996. Apart from the fact that applying a standard that is now 14 years old makes little sense, APHSA/NAPCWA contend that federal eligibility should not be tied to the income of the parents. Instead, federal support should be available to all children regardless of income.

The delink proposal would replace the current income/resource standard with a new rate of federal participation based on the FMAP (which retains the link to state poverty rates) and a new state specific penetration rate. The match rate would be based on a penetration rate spread across all children such that federal revenue in the aggregate would remain unchanged (at least in the short term).

The new state penetration rate would be set at a state-specific value and states would negotiate with the Administration for Children and Families whether to use historical spending over five years in determining the suggested formula. In addition, the state specific revenue targets would be adjusted to account for the erosion of federal support arising from the failure to adjust the income standard relative to inflation and other factors that would have otherwise influenced the income standard used to determine program eligibility.

- ***Training*** – Workforce issues are among the most important issues facing states in their effort to support the delivery of quality child welfare services. Historically, the federal government has supported the training that is targeted to children who are IV-E eligible. However, given the broad mandate to improve services to all children that flows from the CFSR and the increased reliance on evidence-based and evidence-informed practice, NAPCWA believes it

is time to strengthen the federal/state training partnership. Notwithstanding the substantial changes brought about by Fostering Connections, NAPCWA recommends that Congress restore the 75% match rate for all state and local training.

- **Administration** – Changes to IV-E foster care maintenance also require changes to the ways state and local agencies claim for child placement and administrative activities. The two are intertwined and are interdependent. Currently, states can claim reimbursement for such things as referral to services, preparation for and participation in judicial determinations, child placement activities and recruitment of foster and adoptive homes as well as data collection activities. Each state would apply their unique penetration rate selected from a five year time period. The federal match rate would remain at 50 percent. States would negotiate with the Administration for Children and Families and use historical spending over five years in determining the suggested formula.
- **Adoption subsidies** – NAPCWA proposes to eliminate the delink phase-in that was passed as part of the Fostering Connections to Success and Increasing Adoptions Act. If a broad delink proposal is adopted, it makes little sense to preserve that phase-in approach to adoption subsidies. NAPCWA’s proposal calls for a delink of eligibility determinations affecting adoption subsidy payments that coincides with the board and maintenance delink.
- **Research and Development** – NAPCWA believes that child welfare is an increasingly knowledge dependent service. That said, federal support for research and development has fallen far behind what is needed to generate the knowledge needed to improve services. In the long run, the short fall has hampered the research to practice process. We anticipate that if one were to estimate the cost implications, the lost efficiency would far outweigh the cost of even a modest investment in research development. To reverse the trend of under-investing in research and development, NAPCWA proposes an investment of 1 percent of federal outlays for the Title IV-B and E programs to support field initiated research.
- **Waivers--** States already demonstrated that flexibility works through IV-E waivers. These successes indicate that comprehensive financing reform supports better outcomes for children and families. Flexibility should be brought to scale and be accessible to all states. While Congress moves forward on comprehensive child welfare financing reform, existing IV-E waivers should be allowed to continue and others states given the opportunity exercise the waiver option. However, waivers should not be seen as the end all be all solution for systems change.
- **Tribes--**when addressing financing, it is important to note Tribes have only recently been allowed to operate IV-E child welfare system independently. Still others have chosen to partner with states to serve native children. It is important to keep this in mind when developing and implementing a new formula structure. Tribes choosing to operate their own systems may need additional time or exemptions and public child welfare agencies support this notion.

Appendix I

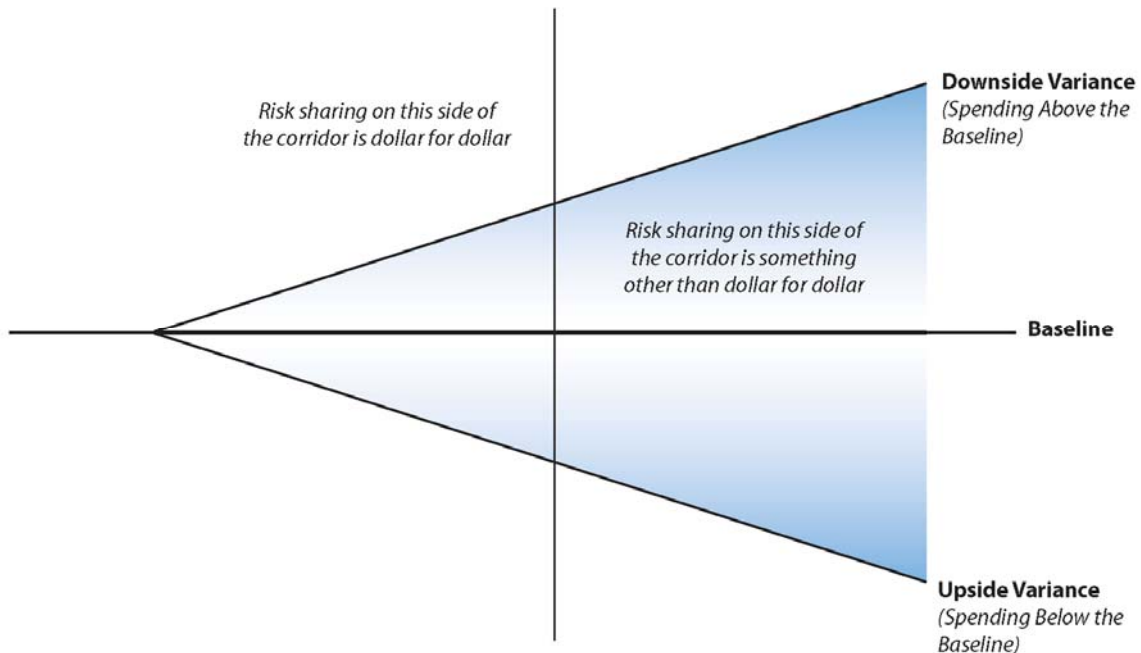
Risk Sharing, Risk Corridors, and the MOE

Risk sharing refers to what happens when the assumptions that go into a given fiscal arrangement fail to materialize. In the case of the fiscal proposal, the specific risks have to do with the floor that is established and how the federal revenue in the floor relates to the need for child welfare services, with specific reference to foster care. The reference to foster care in this context is particularly important because it draws the current entitlement into the risk sharing discussion. Specifically, the entitlement is a particular form of risk-sharing that defines federal fiscal participation when the utilization of foster care rises. The entitlement provides very good downside risk sharing (downside is defined below). However, the entitlement provides very poor upside protection. It is this imbalance the NAPCWA proposal seeks to address.

A risk corridor relates to whether, over the range of upside and downside risks, the risk sharing arrangement remains the same (i.e., no corridor) or varies in some way as the upside/downside risks change. For benefit of exposition, with respect to foster care, upside risk refers to instances in which there are large reductions in the utilization of out-of-home care; downside risks refer to large increases in the utilization of out-of-home care. The basic idea applies to other program areas.

Risks which might be included in the risk corridor include admission, duration, or unit costs.

The chart below shows how a downside risk and an upside risk affects the allocation of resources within the risk corridor. See explanation of this chart in the scenarios on the next page.



Scenarios (Illustrative only):

Downside Risk Corridor— expenditures exceed the floor/baseline for any one of several reasons listed previously

Floor/Baseline (federal revenue only): \$250 million

Expenditures: \$290 million

The variance (downside risk): \$40 million

The shared risk:

Federal share of the variance:

No corridor: \$40 million (difference between the floor/baseline and actual amount spent)

W/ corridor: States get \$25 million (dollar-for-dollar on first \$25 million – 10% of floor/baseline is the covered variance.)

States get \$7.5 million (\$.50 on the dollar for the amount exceeding the 10%)

Federal gets \$7.5 million returned

Upside Risk Corridor – expenditures fall far below the floor for any one of several reasons.

Floor (federal revenue only): \$250 million

Expenditures: \$190 million

The variance (upside risk): \$60 million

The shared risk:

Federal share of the variance:

No corridor: \$60 million for reinvestment

W/ corridor: States get \$25 million (dollar-for-dollar on first \$25 million – 10% of floor/baseline is the covered variance.)

States get \$17.5 million (based on \$.50 on the dollar for the amount exceeding the 10%)

Federal gets \$17.5 million returned.

Other Risks

The ability to improve outcomes for children through strategic investments in alternatives to out-of-home care depends on a number of factors. Broadly speaking, reforms of the child welfare system are predicated on the assumption that states often, but not always, use more foster care than necessary because viable family/community based alternatives are under-funded.

When states elect to shift investments away from out-of-care, under the assumption that lower rates of foster care utilization produce funds for reinvestment, it is imperative that those investments do in fact produce lower rates of foster care utilization. If not, the funds spent on services to reduce placement will not produce a foster care offset. Although the foster care expenditures will be covered, the expenditures for the alternative services (the ones that didn't produce the desired effect) will be the responsibility of the state.

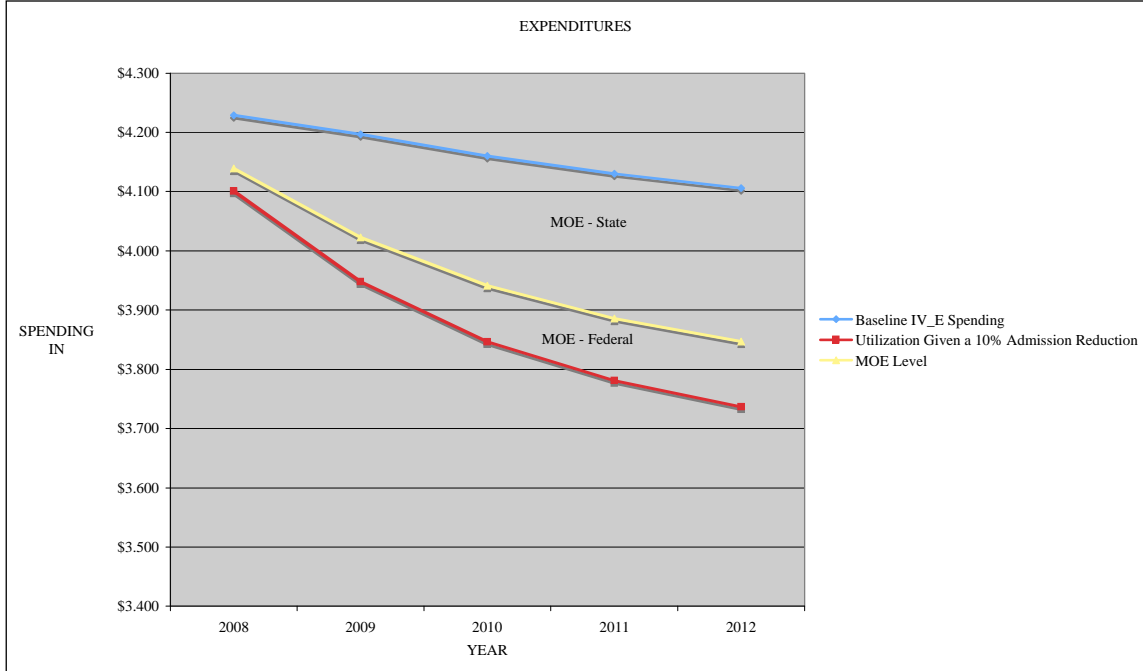
Maintenance of Effort (MOE)

In the examples above, the dollar figures pertain to the 'federal share.' The federal dollars are, of course, matched by state and local dollars in the first instance. With respect to the NAPCWA proposal, the MOE is defined in terms of variance. For example, when foster care use rises to a level above what is in the floor (such that the floor needs to rise as it would with entitlement), the state's ability to claim above the floor would be predicated on a matching claim by the state. Again, the mechanics duplicate the process now in place. This is the MOE in the face of the downside risks.

The so-called upside risks – what happens when utilization falls below the expected level because of service investments made by the state improve outcomes for children – are managed through an MOE in much the same way. Figure 1 and Table 1 below illustrate how the MOE might be calculated. The data are presented using the Center for State Foster Care and Adoption Data resources. Thus estimated admission rates and discharge rates are tied to the observed behavior of a collection of states. In these scenarios, the baseline (which represents the floor in the NAPCWA proposal) is approximately \$4.22 billion, in the aggregate for all of the states included.¹

¹ The calculations represented here would be the same for individual states.

Figure 1: MOE When Utilization Falls Below the 'Floor.'



The example shows what happens when admission rates fall 10 percent below what would have otherwise happened but for investments in family and community based interventions (and assuming no commensurate, offsetting changes in the duration of care and no adjustment in the unit cost of care). Should that happen, spending for foster care would fall by roughly \$1.4 billion over the five years in the projection, as depicted in Figure 1 and shown in Table 1.

In this particular example, the federal share is assumed to be 30% of the gross. The calculations make no assumptions with respect to delinking (that is, the calculations themselves do not change but for the fractions applied to the gross dollar amounts).

The example shows that, absent changes in policy such as those promoted in the NAPCWA proposal, the entire child welfare system would lose \$1.4 billion. The reinvestment proposal would yield the federal share of the \$1.4 billion plus the state share (the MOE) thus maintaining total funding at the full value of the base amount.

Under the NAPCWA Proposal

	Baseline IV_E Spending (Gross)	Utilization Given a 10% Admission Reduction	Variance	Federal Share @ 30% of Gross Variance	State MOE of Gross Variance	Total IV-E Spending
2008	\$4,228,708,686	\$4,100,833,686	\$127,875,000	\$38,362,500	\$89,512,500	\$4,228,708,686
2009	\$4,196,929,770	\$3,947,739,885	\$249,189,885	\$74,756,965	\$174,432,919	\$4,196,929,770
2010	\$4,160,399,714	\$3,846,729,346	\$313,670,368	\$94,101,110	\$219,569,258	\$4,160,399,714
2011	\$4,130,270,597	\$3,780,958,488	\$349,312,109	\$104,793,633	\$244,518,476	\$4,130,270,597
2012	\$4,106,060,240	\$3,736,666,062	\$369,394,178	\$110,818,253	\$258,575,924	\$4,106,060,240

Under Current Policy

	Baseline IV_E Spending	Utilization Given a 10% Admission Reduction	Variance	Federal Share @ 30% of Gross Variance	State MOE of Gross Variance	Total IV-E Spending
2008	\$4,228,708,686	\$4,100,833,686	\$127,875,000			\$4,100,833,686
2009	\$4,196,929,770	\$3,947,739,885	\$249,189,885			\$3,947,739,885
2010	\$4,160,399,714	\$3,846,729,346	\$313,670,368			\$3,846,729,346
2011	\$4,130,270,597	\$3,780,958,488	\$349,312,109			\$3,780,958,488
2012	\$4,106,060,240	\$3,736,666,062	\$369,394,178			\$3,736,666,062

\$ Retained for the service continuum (annual)	2008	\$127,875,000
	2009	\$249,189,885
	2010	\$313,670,368
	2011	\$349,312,109
	2012	\$369,394,178

5 Year gross benefit to the child welfare system \$1,409,441,540

Appendix II

Outcomes and Accountability in the Context of Fiscal Reform

Public child welfare agencies are concerned with the well-being of children. The NAPCWA proposal is predicated on the idea that meeting the needs of children and improving their outcomes requires a new approach to financing, so that states can invest in a fuller continuum of services. However, the proposal links investments in services with specific outcomes, especially as those outcomes affect the utilization of out-of-home care.

With that said, linking outcomes with how the child welfare system is financed depends on more robust outcome measures than those currently used as part of the federal CFSR. A more robust system would incorporate a number of improvements. In the list of outcomes below, a list of outcomes that builds onto the current CFSR outcome domains is offered. The specific measurement issues are not addressed. The changes introduced are coded in the following ways:

Red: not currently measured in the CFSR and added here so as to improve the current accountability standards.

Blue: added in order to address priorities established as part of fostering connections.

Green: These are related to the process and quality of care provided by the child welfare system. These represent activities the child welfare should undertake (e.g., get kids to school) in order to influence the well-being of children. They are an extension of Chaffee outcomes as applied to the broader population of children served in the child welfare system.

- Children are safe
 - ◆ Prevent/reduce rates of maltreatment
 - ◆ Prevent/reduce rates of maltreatment recurrence
 - ◆ Prevent/reduce rates of maltreatment while in out-of-home care
- Children have permanent connections to their families and communities
 - ◆ Prevent/reduce placement in out-of-home care
 - ◆ Improve permanency outcomes: reunification, adoption, and guardianship
 - Reduce time in care
 - Increase the likelihood of permanency
 - ◆ Reduce 'non-permanent' outcomes such as running away, aging out.
 - ◆ Increase placements in family-like settings with an emphasis on relatives
 - ◆ Increase community placements

- ◆ Increase placements with siblings
- ◆ Increase placement stability
- ◆ Reduce reentry to care
- Children are succeeding in school and receive appropriate health and behavioral health care given their needs.
 - ◆ Attending school
 - ◆ Receiving health care
 - ◆ Receiving mental health treatment

Appendix III

Potential Impact on State/Local IV-E Administration Claim

De-linking IV-E eligibility for foster care maintenance payments from 1996 AFDC requirements also changes the way states and local IV-E agencies can claim Title IV-E reimbursement for child placement/administration activities. At present, the two are intertwined and are interdependent. Changing the formula (de-linking) for maintenance automatically changes the formula for claiming IV-E reimbursement for child placement/administrative activities.

Currently, states are required to report their claims for child placement and administrative activities in four categories including: (1) case planning and case management; (2) pre-placement activities; (3) eligibility determination and (4) other. The Code of Federal Regulations chapter 45 CFR 1356.60 (c) provides the following examples of what is considered allowable for Title IV-E reimbursement:

- Referral to services
- 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
- Proportionate share of related agency overhead
- Costs of data collection and reporting

All states and local IV-E agencies participate in Random Moment Time Studies (RMTS) of their direct service staff to determine how agency staff and operating expenses will be distributed among various funding sources including Title IV-E. The portion of time spent providing IV-E allowable activities is applied to all direct child welfare expenditures.

Example of Current Claims: [Total Expenditures for Providing IV-E Allowable Activities (X) IV-E penetration rate (X) 50% FFP (Federal Financial Participation)]

State/Local One (assuming a Penetration Rate of 35%)

\$100 in allowable expenditures X 35% IV-E penetration rate = \$35.00 X 50%

FFP =

\$17.50 Federal Reimbursement

State/Local Two (assuming a penetration rate of 50%)

\$100 in allowable expenditures X 50% IV-E penetration rate = \$50.00 X 50%

FFP =

\$25.00 Federal Reimbursement

State/Local Three (assuming a penetration rate of 60%)

\$100 in allowable expenditures X 60% IV-E penetration rate = \$60.00 X 50%

FFP =

\$30.00 Federal Reimbursement

Each state/local IV-E agency would apply their own unique fixed historic Title IV-E penetration rate to all future Title IV-E reimbursable child placement/administration activity expenditures. States would be able to select their best IV-E penetration rate between federal fiscal years 2007 – 2010 in establishing their fixed rate.

NAPCWA Proposed Funding Formula--federal reimbursement formula would be exactly the same as the three above examples of varying IV-E penetration rates provided above for current expenditures.