

**BUSH ADMINISTRATION FOSTER CARE FLEXIBLE
FUNDING PROPOSAL**

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

—————
JUNE 11, 2003
—————

Serial No. 108-23

—————

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

91-276

WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON WAYS AND MEANS

BILL THOMAS, California, *Chairman*

PHILIP M. CRANE, Illinois	CHARLES B. RANGEL, New York
E. CLAY SHAW, JR., Florida	FORTNEY PETE STARK, California
NANCY L. JOHNSON, Connecticut	ROBERT T. MATSUI, California
AMO HOUGHTON, New York	SANDER M. LEVIN, Michigan
WALLY HERGER, California	BENJAMIN L. CARDIN, Maryland
JIM MCCRERY, Louisiana	JIM MCDERMOTT, Washington
DAVE CAMP, Michigan	GERALD D. KLECZKA, Wisconsin
JIM RAMSTAD, Minnesota	JOHN LEWIS, Georgia
JIM NUSSLE, Iowa	RICHARD E. NEAL, Massachusetts
SAM JOHNSON, Texas	MICHAEL R. MCNULTY, New York
JENNIFER DUNN, Washington	WILLIAM J. JEFFERSON, Louisiana
MAC COLLINS, Georgia	JOHN S. TANNER, Tennessee
ROB PORTMAN, Ohio	XAVIER BECERRA, California
PHIL ENGLISH, Pennsylvania	LLOYD DOGGETT, Texas
J.D. HAYWORTH, Arizona	EARL POMEROY, North Dakota
JERRY WELLER, Illinois	MAX SANDLIN, Texas
KENNY C. HULSHOF, Missouri	STEPHANIE TUBBS JONES, Ohio
SCOTT MCINNIS, Colorado	
RON LEWIS, Kentucky	
MARK FOLEY, Florida	
KEVIN BRADY, Texas	
PAUL RYAN, Wisconsin	
ERIC CANTOR, Virginia	

ALLISON H. GILES, *Chief of Staff*

JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON HUMAN RESOURCES

WALLY HERGER, California, *Chairman*

NANCY L. JOHNSON, Connecticut	BENJAMIN L. CARDIN, Maryland
SCOTT MCINNIS, Colorado	FORTNEY PETE STARK, California
JIM MCCRERY, Louisiana	SANDER M. LEVIN, Michigan
DAVE CAMP, Michigan	JIM MCDERMOTT, Washington
PHIL ENGLISH, Pennsylvania	CHARLES B. RANGEL, New York
RON LEWIS, Kentucky	
ERIC CANTOR, Virginia	

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

Advisory of June 4, 2003, announcing the hearing	Page 2
WITNESSES	
U.S. Department of Health and Human Services, Hon. Wade F. Horn, Ph.D., Assistant Secretary for Children and Families	8
SUBMISSIONS FOR THE RECORD	
Acevedo-Vilá, Hon. Anibal, a Representative in Congress from the Common- wealth of Puerto Rico, statement	58
Allen, MaryLee, Children's Defense Fund, statement	69
Alliance for Children and Families, Carmen Delgado Votaw, letter and attach- ment	59
American Federation of State, County and Municipal Employees, statement ...	61
Association on American Indian Affairs, Rockville, MD, Jack F. Trope, letter and attachment	62
Atwood, Thomas C., National Council For Adoption, Alexandria, VA, state- ment	92
Child Welfare League of America, statement	63
Children's Defense Fund, MaryLee Allen, statement	69
Clark, Elizabeth J., National Association of Social Workers, statement	81
Coalition for Family and Children's Services in Iowa, Des Moines, IA, Ann Harrmann, statement and attachment	76
Delgado Votaw, Carmen, Alliance for Children and Families, letter and at- tachment	59
Diehl, Sue, Maryland Chapter, National Association of Social Workers, Balti- more, MD, statement	79
Emig, Carol, Pew Commission on Children in Foster Care, statement	98
Family Services of Central Florida, Leesburg, FL, Marlin Livingston, letter ...	78
Harris, Jesse J., University of Maryland School of Social Work, Baltimore, MD, statement	101
Harrmann, Ann, Coalition for Family and Children's Services in Iowa, Des Moines, IA, statement and attachment	76
Hernández, Antonia, Mexican American Legal Defense and Educational Fund, statement	81
Katzenmeyer, Paula, Hutchinson, MN, statement (see listing under Olund, Lynn)	97
Livingston, Marlin, Family Services of Central Florida, Leesburg, FL, letter ...	78
Maryland Chapter, National Association of Social Workers, Baltimore, MD, Sue Diehl and Judith M. Schagrin, statement	79
Mexican American Legal Defense and Educational Fund, Antonia Hernández, statement	81
Mirabal, Manuel, National Puerto Rican Coalition, statement	96
National Association of Social Workers, Elizabeth J. Clark, statement	81
National Coalition for Child Protection Reform, Alexandria, VA, Richard Wexler, statement	89
National Council For Adoption, Alexandria, VA, Thomas C. Atwood, state- ment	92
National Council of La Raza, Raul Yzaguirre, as submitted by Sonia M. Pérez, statement	94

	Page
National Puerto Rican Coalition, Manuel Mirabal, statement	96
Olund, Lynn, Brimson, MN, Paula Katzenmeyer, Hutchinson, MN, Debbie Retterath, Adams, MN, and Deborah Trotter, Aitkin, MN, statement	97
Pérez, Sonia M., National Council of La Raza, submitting for Raul Yzaguirre, statement	94
Pew Commission on Children in Foster Care, Carol Emig, statement	98
Prevent Child Abuse America, Chicago, IL, statement	99
Retterath, Debbie, Adams, MN, statement (see listing under Olund, Lynn)	97
Schagrin, Judith M., Maryland Chapter, National Association of Social Work- ers, Baltimore, MD, statement	79
Trope, Jack F., Association on American Indian Affairs, Rockville, MD, letter and attachment	62
Trotter, Deborah, Aitkin, MN, statement (see listing under Olund, Lynn)	97
University of Maryland School of Social Work, Baltimore, MD, Jesse J. Har- ris, statement	101
Voice For Adoption, statement	102
Wexler, Richard, National Coalition for Child Protection Reform, Alexandria, VA, statement	89
Yzaguirre, Raul, National Council of La Raza, as submitted by Sonia M. Pérez, statement	94

**BUSH ADMINISTRATION FOSTER CARE
FLEXIBLE FUNDING PROPOSAL**

WEDNESDAY, JUNE 11, 2003

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:06 p.m., in room B-318, Rayburn House Office Building, Hon. Wally Herger (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
June 04, 2003
HR-4

CONTACT: 202-225-1025

Herger Announces Hearing on Bush Administration Foster Care Flexible Funding Proposal

Congressman Wally Herger (R-CA) Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the foster care flexible funding proposal included in the Bush Administration's FY 2004 budget proposal. **The hearing will take place on Wednesday, June 11, 2003, in room B-318 Rayburn House Office Building, beginning at 2:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include representatives from the U.S. Department of Health and Human Services and other experts in child welfare issues. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In 1980, Congress enacted legislation that created a program of Federal support for child protection programs conducted by State and local governments. The legislation created two major programs, a capped grant program under Title IV-B of the Social Security Act that gave States flexibility in providing treatment for families and children involved in abuse or neglect as well as services for foster and adoptive families, and a series of open-ended entitlement programs under Title IV-E that help States operate their foster care, and adoption programs for children who have been removed from their families. In 2002, the Federal Government provided approximately \$7 billion to the States for these programs. However, the majority of these funds (\$5 billion) support the Title IV-E foster care program, which focuses on out-of-home placements for at-risk children, rather than on services designed to return children to their families or place them in adoptive homes.

The Subcommittee is interested in reviewing proposals to provide more flexibility to States to spend their IV-E foster care dollars, including for additional prevention and treatment as well as for out-of-home placement needs. The Administration's proposal would offer States such an alternative financing system to their current Title IV-E foster care program. Under this proposal, States could opt to receive their share of Federal foster care funds in a constant, fixed amount in each of the next 5 years. By exercising this option States would receive more money in the early years to spend on prevention and treatment activities to support a broader range of families in need.

In announcing the hearing, Chairman Herger stated, "It's time to begin thinking creatively about how we can help States provide more comprehensive and coordinated services to children and families. States should have ample flexibility to use the resources we provide to best protect vulnerable children. I look forward to hearing more details on how the President's proposal to allow States more flexibility would help them to meet their child welfare needs."

FOCUS OF THE HEARING:

The hearing will review the proposal included in the Administration's FY 2004 budget to provide States an alternative foster care financing system.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to hearingclerks.waysandmeans@mail.house.gov, along with a fax copy to (202) 225-2610, by the close of business, Wednesday, June 25, 2003. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Human Resources in room B-317 Rayburn House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to hearingclerks.waysandmeans@mail.house.gov, along with a fax copy to (202) 225-2610, in WordPerfect or MS Word format and **MUST NOT** exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman HERGER. Good afternoon and welcome to today's hearing. The purpose of today's hearing is to review the Administration's foster care flexible funding proposal.

Today, the Federal Government provides open-ended entitlement funding to help States support children in certain foster and adopted homes. These programs support the most vulnerable among us, children who have been removed from their own parents due to abuse or neglect.

We all agree States should have ample resources and flexibility to prevent child abuse. I am pleased that this Subcommittee took steps last Congress to extend and expand the Promoting Safe and Stable Families Program, which provides important services to prevent abuse or support adoptions.

I would like to thank Mr. Cardin for co-signing a letter with me to key appropriators supporting full funding for this important program. If extended in each of the next 5 years, it would ensure that

\$1 billion in added funding is available to prevent abuse or to speed the placement of children in permanent adoptive homes. Today's hearing will review additional steps to make these programs serve children and families better.

Most of what the Federal Government spends each year on child welfare programs, about \$5 billion, supports children in foster care. These funds support the costs of maintaining children in out-of-home placements, the costs of administering this program, and some training costs.

However, under current law, States generally lack the flexibility to devote any of these funds to services and interventions to prevent foster placements in the first place. In short, we provide most of our funding in response to child abuse and neglect, not to prevent such abuse. To the degree States would like to refocus their efforts more on prevention, their hands are generally tied by current Federal rules. That is not good enough. We should think creatively about how we can help States better serve children and families.

As we have learned from the States' success with welfare reform, flexibility, and positive incentives are critical to achieving good results. As we will hear today, there is evidence that the sort of flexibility promoted by the Administration's foster care proposal has been exercised in recent waiver programs and achieved results.

I look forward to hearing from Dr. Wade Horn and the rest of today's witnesses on the Administration's foster care flexible funding proposal. Without objection, each Member will have the opportunity to submit a written statement and have it included in the record. Mr. Cardin, would you like to make an opening statement?

[The opening statement of Chairman Herger follows:]

Opening Statement of the Honorable Wally Herger, Chairman, and a Representative in Congress from the State of California

Good afternoon and welcome to today's hearing. The purpose of today's hearing is to review the Administration's foster care flexible funding proposal.

Today the Federal Government provides open-ended entitlement funding to help States support children in certain foster and adoptive homes. These programs support the most vulnerable among us—children who have been removed from their own parents due to abuse or neglect.

We all agree States should have ample resources and flexibility to prevent child abuse. I'm pleased this Subcommittee took steps last Congress to extend and expand the Promoting Safe and Stable Families program, which provides important services to prevent abuse or support adoptions.

I'd like to thank Mr. Cardin for co-signing a letter with me to key appropriators supporting full funding for this important program. Extending the program in each of the next five years would ensure that \$1 billion in added funding is available to prevent abuse or to speed the placement of children in permanent adoptive homes.

Today's hearing will review additional steps to help these programs serve children and families better.

Most of what the Federal Government spends each year on child welfare programs—about \$5 billion—supports children in foster care. These funds support the costs of maintaining children in out-of-home placements, the costs of administering this program, and some training costs.

However, under current law, States generally lack the flexibility to devote any of these funds to services and interventions to prevent foster placements from the start. In short, we provide most of our funding in response to child abuse or neglect, not to prevent such abuse. To the degree States would like to refocus their efforts more on prevention, their hands are generally tied by current Federal rules.

That's not good enough. We should think creatively about how we can help States better serve children and families. As we've learned from the States' success with

welfare reform, flexibility and positive incentives are critical to achieving good results.

As we will hear today, there is evidence that the sort of flexibility promoted by the Administration's foster care proposal has been exercised in recent waiver programs, and achieved positive results.

I look forward to hearing from Dr. Wade Horn and the rest of today's witnesses on the Administration's foster care flexible funding proposal.

Mr. CARDIN. Thank you very much, Mr. Chairman, and let me first thank you for holding this hearing. I think it is a very important hearing as we talk about foster care and child welfare issues.

I must tell you, we are about one-fourth finished with this term of Congress, and I am getting very frustrated on issues that affect children. Dr. Horn has been a champion of speaking out on these issues. I would like to help him with getting more resources to deal with it first. I think one of our major problems has been that we just are not putting enough resources into these programs, and it is tough to talk about innovative new ways when we are not willing to put up the tools necessary to adequately deal with America's most vulnerable children.

This Subcommittee has had a proud history of dealing with vulnerable children, and we have been able to bring out some good bipartisan products that are now the law of the land. I hope that will be the model for moving forward on this issue.

On the floor a little bit earlier, the Chairman and I were engaged on a bill that extended Temporary Assistance for Needy Families (TANF) (P.L. 104-193) for 3 additional months as we try to figure out TANF reauthorization. I pointed out at that time—and I will repeat that during this term of Congress—we seem to be able to find resources for everything but helping our children.

We spent a couple of trillion dollars on tax cuts in 2001 and now in 2003. There was just recently a book released by Isabelle Sawhill, who points out that we spend 2 percent of our gross domestic product for our children at the Federal level. We spend 2.5 percent of our gross domestic product servicing our national debt. Our national debt will increase by \$400 billion—this is the recent projections—in this next year. That will require us to spend somewhere around \$15 to \$20 billion in additional debt service in the next budget. We can only get a little bit of that money for children. The money instead is being used to service a tax cut. I think that is a mistake.

So, Mr. Chairman, as we start this hearing, I am going to be expressing some serious concerns about the direction we are moving in these programs. I must tell you, I think it stems from, first, our budget priorities and whether we are willing to give the tools necessary.

We have problems in our child welfare systems. We have caseworkers who turn over on average 2 years. That is not going to be solved by just giving States more flexibility. You have to be willing to make a commitment if we are going to deal with the problems of caseworkers that are handling our most difficult and most vulnerable children.

We have real obstacles in our child welfare system dealing with substance abuse. If we are not willing to put some money into it,

you can give all the flexibility you want to the States. I use the U.S. Government Accounting Office (GAO) report on child care. I think every one of our Governors, every one of our State Legislators would like to put more money into child care. It has been proven to be successful in dealing with a whole host of problems. Yet, all of our States are cutting child care. In my own State of Maryland, unless you go on welfare, you can't be a new enrollee in the child care system. What a message. So, we need more resources in order to deal with these problems.

On behalf of my Democratic colleagues, I filed legislation that I thought would be a model for our discussion, which talks about trying to provide more resources to our States to deal with the foster care problems and to deal with the turnover and preventive services and updating certain eligibility. Unfortunately, I think the Administration is taking a different approach.

We don't have the legislation yet, Dr. Horn, but we do know that you are suggesting what I would call a block grant option to the States which would have the opportunity to opt in. The problem is that once you start down this path, I don't know how much improvement we are going to have for those States who don't want to opt in, who want to continue the current system.

You also indicate there is going to be a finite amount of money available. As I understand it, there are no reductions. We are trying to project what is going to happen, but we don't know what is going to happen with caseload. The caseload could vary. These are circumstances that are not as predictable as what we do in the welfare system generally. We are dealing with children. We are dealing with children for whom there may not be adoptive parents willing to take care of them.

So, what happens if we are wrong on the caseload? What happens with the States that stay under the current system? I am not sure we have answered those questions and I am very concerned as to what is going to happen as we move forward.

Let me also suggest that there are a lot of questions that have been raised, and I will mention these early, Dr. Horn, in hopes that you will be able to deal with them. The State opts into a block grant and its foster care caseload goes up. How will it cover the resulting cuts in reimbursement? What will happen to children whose Medicaid coverage is tied to their current eligibility for Federal foster care payments? How will State funding for child welfare services be locked in under the block grant? Will Federal adoption assistance become less available if it is left with an increasingly out-of-date eligibility standard? Those are just some of the questions that I have, and I hope that we will be able to deal with them.

I can assure you that as a Member of Congress so concerned about the children we are dealing with—and I know every Member of the Committee feels the same way—I welcome an opportunity in a public, private, or any kind of setting to see whether we can't continue the tradition of this Committee and reach a bipartisan agreement on what is in the best interest of Federal policy to help our foster children. Thank you very much, Mr. Chairman.

[The opening statement of Mr. Cardin follows:]

**Opening Statement of the Honorable Benjamin L. Cardin, a Representative
in Congress from the State of Maryland**

Mr. Chairman, I am glad there seems to be a growing consensus that improvements are needed in our child welfare system. Along with my Democratic colleagues on this subcommittee, I introduced legislation earlier this year to help our States and communities combat many of the specific problems that now plague children in foster care. The bill seeks to give our States the tools, motivation, and resources needed to ensure child safety, address the connection between substance abuse and child abuse, improve the retention of quality caseworkers, expand preventive services, and update certain eligibility standards.

The Bush Administration has chosen a different path. The President has proposed an optional block grant for foster care, under which States could receive a fixed allocation of funds for five years, rather than being guaranteed matching payments for each eligible child. This plan, which is designed to be cost neutral, concerns me for a number of reasons.

First, I do not agree with the premise that our child welfare system is undeserving of any new resources. We have now spent over \$2 Trillion for three successive tax cuts, so it seems more than a little stingy to suggest that we cannot spend a single dime of new money on protecting abused and neglected children.

Second, the Administration's plan is a piecemeal approach that will deny an opportunity for meaningful change in many and probably most States. Some states may opt in, but many others will surely decide to pass on assuming the inherent risks associated with the proposal. The President's plan offers nothing to these States who think the block grant is a bad deal. No new resources for preventive services, no needed updates in eligibility criteria, and no increased flexibility. The end result will be no change and no improvement for millions of children.

Third, the proposal raises more questions than it answers, and it may cause more problems than it cures. For example:

- If a State opts into the block grant and its foster care caseload goes up, how will it cover the resulting cuts in reimbursement?
- What will happen to children whose Medicaid coverage is tied to their current eligibility for federal foster care payments?
- How will State funding for child welfare services be locked in under the block grant?
- And will Federal adoption assistance become less available if its left with an increasingly out-of-date eligibility standard (as it is under the President's plan)?

Mr. Chairman, I don't know if there is a middle ground between what my colleagues and I have introduced and what the Administration is proposing. But I am always willing to work toward a consensus. Perhaps we all might benefit from the work now being conducted by a new Pew Commission on this topic. This non-partisan panel includes many leading child welfare experts, and it is chaired by a former Republican Member of this Committee, Bill Frenzel. The commission hopes to provide Congress with recommendations to improve the foster care system by early next year.

In any event, I hope we can continue this committee's tradition of bipartisanship on issues related to our Nation's foster care system. Millions of vulnerable children are counting on us to get the job done. Thank you.

Chairman HERGER. Thank you, Mr. Cardin. Before we move on to our testimony, I want to remind our witnesses to limit their oral statements to 5 minutes. However, without objection, all the written testimony will be made a part of the permanent record.

For our first witness today, we are pleased to have with us once again Dr. Wade Horn, Assistant Secretary for Children and Families at the U.S. Department of Health and Human Services (HHS).

Dr. Horn.

**STATEMENT OF THE HONORABLE WADE F. HORN, PH.D., AS-
SISTANT SECRETARY FOR CHILDREN AND FAMILIES, U.S.
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Dr. HORN. Thank you very much, Mr. Chairman. It is a great pleasure to appear before you again to discuss the President's proposal for improving child welfare in our Nation. Our proposal provides States and Indian tribes with both the flexibility and sustained financial support needed to build innovative programs that provide effective services to the thousands of children and families in the child welfare system.

Over the past several years, with your help, the Federal Government has made important strides in reforming child welfare services. Through the Adoption and Safe Families Act 1997 (P.L. 105-89), and other important legislative reforms, we built a national consensus on the key goals for child welfare, ensuring children's safety, meeting children's needs for timely permanency, and promoting child and family well-being.

The Bush Administration is proud of the progress that we have made to date in providing more resources to States to support children, families, and youth. We are pleased to be able to work with this Committee and other Members of Congress to pass legislation reauthorizing and significantly increasing the funding level for the program, and I just want to pause for a moment to thank both you and the Ranking Member, Congressman Cardin, for indicating your support in writing to the Appropriations Committee to fully fund the President's request for increased resources for the Promoting Safe and Stable Families Program. We also appreciate the authorization and, at this point, partial funding of the President's proposal to provide education and training vouchers for youth who age out of foster care.

These efforts represent important contributions to improving child welfare services, but we all know that there must be more done to protect children, support families, and promote timely permanency. Therefore, in the President's 2004 budget, the Administration is proposing a major change in the Title IV-E foster care program, an alternative funding option to provide States with greater flexibility so they can design more effective ways to help vulnerable children and families and move toward a seamless child welfare system. States that don't elect this option would continue to operate the existing Title IV-E entitlement program.

Briefly, the alternative funding option would incorporate dollars from the existing Title IV-E maintenance payments program as well as the associated administrative and training costs. States that choose this option would be able to use the funds for foster care payments, prevention activities, permanency efforts, case management, administrative costs, training child welfare staff, and other service-related child welfare activities—a far broader range of uses of these funds than allowed under current law.

The proposal would provide States with the flexibility to develop a child welfare system that supports a continuum of services to families in crisis and children at risk while removing some of the administrative burdens of many of the current Federal requirements, including the need to determine the child's eligibility for Aid to Families with Dependent Children (AFDC).

While States that choose this option would have greater flexibility in how they use the funds, they would continue to be required to maintain the child safety protections under current law, including requirements for conducting criminal background checks and licensing of foster care providers, obtaining judicial oversight of decisions related to a child's removal and permanency, meeting permanency time lines, developing case plans for all children in foster care, and prohibiting race-based discrimination in foster and adoptive placements.

Allocations for this alternative financing structure will be determined in consultation with States, using historic expenditure information, and would be cost-neutral over 5 years. However, a State could receive up front funding at the outset of the program cycle. This approach would allow States to develop innovative programs and make initial investments that are likely to result in cost savings to the States in later years.

The proposal also includes a maintenance of effort requirement to ensure that States selecting this new option maintain their existing investments in the program. To help protect States against unanticipated emergencies affecting their foster care system, the proposal also includes a provision that would allow a participating State to access additional funding through the TANF contingency fund if specified crisis conditions are met.

In addition to providing a new option for States, our proposal includes a \$30 million set-aside for Indian tribes or consortia that can demonstrate the capacity to operate a Title IV-E program. Currently, tribes, as you know, are not eligible to receive direct Title IV-E funding, although some tribes are able to access funds through agreements with the States. This proposal would open the possibility for tribes to receive direct Title IV-E funding.

In closing, I would like to thank the Subcommittee for the opportunity to discuss the President's bold new vision for strengthening child welfare through our child welfare program option. This option encourages innovation and the development of cost-effective programming that, over time, will result in children reaching permanency more quickly and fewer children being removed from the home, a goal I know we all share.

This Administration is firmly committed to improving the lives of every child in America. Enacting legislation that will give States a choice in how they design and fund their child welfare programs will move us closer to meeting this commitment. Thank you for this opportunity. I would be pleased to answer any questions that you may have.

[The prepared statement of Dr. Horn follows:]

Statement of the Honorable Wade F. Horn, Ph.D., Assistant Secretary for Children and Families, U.S. Department of Health and Human Services

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you to discuss the President's proposal for improving child welfare in our Nation. The proposal responds to long-term criticisms about the current structure for addressing the needs of at-risk children and families and the Administration's desire to support innovation in addressing this critical issue. Our proposal provides States and Indian Tribes with both the flexibility and sustained financial support needed to build innovative programs that provide effective services to the thousands of children and families in need of child welfare services.

Background

Over the past several years, with your help, the Federal Government has made important strides in reforming child welfare services. Through the passage of the Adoption and Safe Families Act of 1997 and other important legislative reforms, the development of national outcome measures, and the implementation of the new, results-oriented Child and Family Services (CFS) review process, we have built a national consensus on the key goals for child welfare: ensuring children's safety, meeting children's needs for timely permanency in a loving family, and promoting child and family well being. We have developed regulations and policies to promote these goals and an infrastructure to track progress toward meeting them. We also have seen important progress, most notably in the area of adoption, with the annual number of children adopted from foster care increasing from 31,000 in FY 1997 to 51,000 in FY 2001. We expect that the final number of adoptions for FY 2002 will exceed last year's impressive results.

It is fair to say that because of improved data collection and the CFS review process, we have more and better information than ever before about the state of child welfare services, both strengths and weaknesses. And despite the progress to date, it is evident that we still have a long way to go. Newspaper accounts from around the country continue to report individual tragedies where the system has failed to protect children. National statistics show that too many children are lingering in foster care and waiting for adoptive families.

The CFS reviews began in FY 2001 and, to date, we have reviewed 37 States. We will complete the first round of all 50 States, the District of Columbia, and Puerto Rico by the end of March 2004. This is the most comprehensive and far-reaching Federal review of State child welfare services ever conducted. The review covers all areas of child welfare services, from child protection and family preservation to adoption and youth development. When weaknesses are identified, States are required to implement Program Improvement Plans. Through a network of National Resource Centers, we provide technical assistance to help States develop and implement their Plans.

Among the most significant findings of the CFS reviews:

- States are performing slightly better on safety outcomes for children than on permanency and well being. In fact, the timely achievement of permanency outcomes for children in foster care, especially adoption, is one of the weakest areas of State performance.
- All State program improvement plans need to include provisions to strengthen the quality of front-line practice in such areas as conducting needs assessments of children and families and developing effective case plans.
- Most States need to make significant improvements in their judicial processes for monitoring children in foster care, such as ensuring timely court hearings and increasing their attention to timely termination of parental rights, where appropriate.
- The reviews pointed to a correlation between frequent caseworker visits with children and positive findings in other areas, such as timely permanency achievement and indicators of child well being.

What more can be done to address these program shortfalls and better serve this vulnerable population?

The Bush Administration is proud of the progress we have made to date in providing more resources to States to support children, youth and families. We were pleased to be able to work with this Committee and other Members of Congress to pass legislation reauthorizing and increasing the funding level for the Promoting Safe and Stable Families program, which funds family support, family preservation, time-limited reunification, and adoption promotion and support services. And we appreciate the authorization of the President's proposal to provide education and training vouchers for youth who "age out" of foster care. This program offers youth a chance to pursue and complete their education, thereby improving their prospects to become truly independent and self-sufficient adults.

The recent 2003 Consolidated Appropriations Resolution provided almost \$405 million for the Promoting Safe and Stable Families program, \$29 million over the FY 2002 level, and included additional first-time funding of nearly \$42 million to support educational vouchers for youth aging out of foster care. The President's FY 2004 request would go a step further and fully fund the Promoting Safe and Stable Families program at the level of \$505 million and the educational vouchers program at \$60 million. I hope that you will join us in supporting these targeted but important investments, as well as critical policy changes to foster care and adoption incentives requested by the Administration.

Child Welfare Program Option

The programs mentioned above make an important contribution to improving child welfare services. However, given what we have learned about the States' child welfare systems, we all must continue to do more to protect children, support families, and promote timely permanency. Therefore, in our FY 2004 budget, the Administration is proposing a major change in the title IV-E foster care program. Under this proposal, States would be offered an alternative financing option to the current title IV-E entitlement program, where States could choose to administer their foster care program with a fixed allocation of funds over a five-year period, should this approach better support their particular child welfare needs. States that do not elect to receive funding provided by this option would continue operating under the current title IV-E entitlement program.

Under current law, States may be reimbursed for a percentage (ranging from 50 to 79 percent) of the costs associated with the foster care stays of eligible children. The Federal Government also reimburses States for 50 percent of allowable administrative costs and 75 percent of training costs for State and local staff and foster parents. While an essential source of funding to assist States with supporting children in foster care and related administrative and training expenses, the program has long been criticized for, among other things, its lack of flexibility, administrative burdens, and narrow focus on only those children already removed from the home.

We have consistently heard from the States that the title IV-E foster care program is too restrictive because it provides funds only for poor children who have been removed from the home. In order to be eligible for title IV-E, a child must have been removed from a family that would have met AFDC eligibility requirements as they existed in 1996, prior to the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act and the creation of the Temporary Assistance for Needy Families program. Under the IV-E program, the Federal Government does not share in the expenses relating to non-IV-E children and, as time passes, a declining proportion of foster care children nationally meet the old AFDC income standard.

The program also is criticized for failing to support the goal of permanency. While reimbursement for foster care and related case management services is open-ended, title IV-E funds may not be used for other types of services that could prevent a child from needing to be placed in care in the first place or that could facilitate the child's returning home or moving to another permanent placement. Furthermore, a State that is successful in preventing unnecessary removals or in shortening lengths of foster care stays actually is apt to receive less Federal funding than a State where children remain in foster care for long periods of time.

States are concerned that the title IV-E program contains significant administrative burdens, which take valuable time and resources away from serving children and families. These include making IV-E eligibility and re-eligibility determinations and engaging in the cumbersome cost-allocation process for claiming administrative costs.

In response to these concerns the Administration is proposing the alternative funding option to provide States with a more flexible environment so they can design more effective ways to strengthen services to vulnerable children and families and to further the goal of helping States develop a seamless child welfare system. Specifically, the alternative funding option would include dollars currently estimated for the existing title IV-E foster care maintenance payments program and the associated administrative costs. States that choose this option would be able to use the funds for foster care payments, prevention activities, permanency efforts (including subsidized guardianships), case management, administrative activities (including developing and operating State information systems), training child welfare staff, and other service-related child welfare activities—a far broader range of uses than allowed under current law. The proposal would provide States with the flexibility to develop a child welfare system that supports a continuum of services to families in crisis and children at risk while removing the administrative burden of many of the current Federal requirements, including the need to determine the child's eligibility for AFDC.

While States that choose this option would have much greater flexibility in how they use funds, they would continue to be required to maintain the child safety protections under current law, including requirements for conducting criminal background checks and licensing foster care providers, obtaining judicial oversight of decisions related to a child's removal and permanency, meeting permanency timelines, developing case plans for all children in foster care, and prohibiting race-based discrimination in foster and adoptive placements.

States that select this alternative financing structure would be required to apply for the new child welfare program option soon after enactment of the proposed legis-

lation and to commit to the new funding structure for the full five-year period. State allocations would be determined in consultation with States, using historic expenditure information, and would be cost neutral over five years. However, a State could receive up-front funding at the outset of the program cycle. This approach would allow States to develop innovative programs and make initial investments that are likely to result in cost savings to the States in later years. The proposal also includes a maintenance-of-effort requirement to ensure that States selecting the new option maintain their existing level of investment in the program.

To help protect States against unanticipated emergencies affecting their foster care systems, the proposal also includes a provision that would allow a participating State to access additional funding through the TANF contingency fund if specified crisis conditions are met.

In addition to providing a new option for States, our proposal includes a \$30 million set-aside for Indian Tribes or consortia that can demonstrate the capacity to operate a title IV-E program. Currently, Tribes are not eligible to receive direct title IV-E funding, although some Tribes are able to access funds through agreements with States. This proposal would open the possibility for Tribes to receive direct title IV-E funding. Indian Tribes would be subject to program requirements similar to those of States. However, the Secretary could waive certain program requirements, provided that doing so would not compromise child safety.

We also are requesting a small administrative set-aside to facilitate program monitoring and technical assistance necessary to support the efforts of State and Tribal child welfare programs and to fund important child welfare research. As States and Tribes develop new and innovative service models and financing structures through the child welfare program option, it will be even more important to ensure that we have sufficient resources to provide technical assistance and to monitor their activities so we have an understanding of how the new option is affecting child welfare services and outcomes and to share any success stories with other States.

We believe this proposal will result in the development of innovative child welfare programs that ultimately will better serve vulnerable children. We ask for your support in making this vision a reality.

Adoption Incentive Proposal.

Finally, I would like to take this opportunity to briefly address another proposal in the President's FY 2004 budget as part of our request to reauthorize the Adoption Incentive Program. The Adoption Incentive Program, authorized under the Adoption and Safe Families Act, was the first Federal performance-based incentive program in child welfare. The program proved very successful in engaging all States in efforts to increase adoptions and made an important contribution to the large national increases in adoption we have seen over the past several years. However, as we have analyzed adoption data, we have learned that while the overall number of children being adopted has grown dramatically, older children in foster care still face excessively long waits for adoption, and in many cases, are never adopted. This is clearly a problem that warrants our attention.

In fact, data from the Adoption and Foster Care Analysis and Reporting System (AFCARS) show that between the ages of 8 and 9, the probability that a child will continue to wait in foster care exceeds the probability that the child will be adopted. Further, the number of children in this older age group is growing, now representing almost half of the children waiting to be adopted nationally.

To ensure that the adoption incentive focuses on these hard-to-place children, the President proposes that the Adoption Incentive Program be amended so it continues to recognize and reward overall increases in the number of adoptions while providing a special focus on the adoption needs of children age 9 and older. Awarding the incentive funds in this way will provide a special focus on the adoption needs of older children, while maintaining the goal of increasing adoptions for all waiting children.

Conclusion

In closing, I would like to thank the Subcommittee for the opportunity to discuss the President's bold new vision for strengthening child welfare through our new child welfare program option. This option encourages innovation and the development of cost-effective programming that over time will result in children reaching permanency more quickly and fewer children being removed from the home, a goal we all share. Under this option, we believe that States would be better able to develop a seamless child welfare system that supports a continuum of services to families in crisis and children at risk.

This Administration is firmly committed to improving the lives of every child in America. Secretary Thompson has always been a strong advocate of increasing State

control in designing programs that best meet the needs of their citizens. Enacting legislation that will give States a choice in how they design and fund their child welfare programs will move us closer to meeting that commitment. We look forward to working with you to pass legislation implementing these new proposals, and I would be pleased to answer any questions you may have.

Chairman HERGER. Thank you for your testimony, Dr. Horn. Now, we will hear the gentleman from Kentucky, Mr. Lewis, to inquire.

Mr. LEWIS. Thank you, Mr. Chairman. Dr. Horn, will there be anything in the President's proposal that would allow the States the flexibility to keep children within the family unit as far as aunts, uncles, grandparents? It seems like there should be an emphasis on this, to try to keep children with family members rather than in a new, strange environment, and I am not sure that there is that flexibility now. I think the grandparents or the aunt, uncle, brother, or sister, would have to go through the process of becoming legally a foster parent in order to do that.

I know we have about 60,000 grandparents in Kentucky that are caring for their grandchildren now, which is good, but a lot of those people are on Social Security. They are elderly and it makes it a little difficult. We are paying a lot of dollars to take those children out of those circumstances and put them in, like I said, unfamiliar surroundings.

Dr. HORN. That is an excellent question and, in fact, under the current system, States are prohibited from using Title IV-E funds for subsidized guardianship arrangements, which often are the kinds of situations that you describe with kinship members. Under the President's flexibility proposal, States could, in fact, opt to use those monies, in part, to support subsidized guardianship arrangements.

In fact, the State of Illinois has had a very large waiver over the last 5 years to look at using Title IV-E funds more flexibly in order to support subsidized guardianship arrangements, and one of the things that they found is that, by doing so, they move more children more quickly toward permanency arrangements, and have less need for long-term foster care. They are doing all that without compromising child safety. So, we think that this flexibility proposal would precisely address the issue that you raise.

Mr. LEWIS. That would be wonderful. Thank you.

Chairman HERGER. I thank the gentleman. The gentleman from Maryland, Mr. Cardin, to inquire.

Mr. CARDIN. Thank you very much, Mr. Chairman. Dr. Horn, let me just go through a couple scenarios so I understand exactly what we are trying to achieve here. As I understand it, there are no new resources over baseline being put into this proposal for States that go into the optional block grant. There is some advance money, but over time, it is basically neutral on cost.

We have seen in the history of foster care that there have been episodes where we have had large increases in the number of foster care children. In the late 1980s, we saw in a 5-year period a 42-percent increase in foster care, which was attributed mostly to the crack cocaine problem.

Obviously, the funds that are being made available through these programs are not geared towards a crack cocaine problem or a significant national problem. If there were a spike in the number of children that needed assistance with the State that chose the optional path, what would happen during this 5-year period?

Dr. HORN. Well, first, it is not precisely correct to say that the President has not proposed additional resources for the child welfare system. As you know—and I know that you are very supportive of it—the President has proposed \$1 billion in additional funds over 5 years through Safe and Stable Families, which can be used to fund an array of services in the child welfare system.

In addition to that, we were very concerned with exactly the situation that you describe. In fact, I, in my first tenure in government, was the Commissioner of the Administration on Children, Youth and Families during the spike in foster care placements largely because of the crack cocaine epidemic and we were concerned that there be some protection for the States who chose this option.

So, what we have built into the proposal is the ability for States to draw down additional funds under certain circumstances from the TANF contingency fund. As you know, that is a \$2 billion fund that already exists and no State has yet needed to draw down any of those resources through the TANF program and we thought that by allowing States the ability to access those funds if there are spikes in foster care—

Mr. CARDIN. So, you would use the TANF contingency? You would not build in anything directly in this program? There is a lot of concern about whether there are adequate resources in TANF, including the contingency funds that we could argue another day. There would be no adjustment in the overall program that you are configuring based on external increases in caseload?

Dr. HORN. In terms of the 5-year cost to the Title IV–E program, what we do is we capture all those costs over the next 5 years. We then allow States to increase the spending in the first few years, if that is their choice, and reduce funding in each of the subsequent years, in order to return to the baseline.

A piece that is important to keep in mind is that the baseline projections for this program have been decelerating over time. That is, if you go back 4 years ago, the baseline was accelerating at a higher percentage than it was 2 years ago and at a higher percentage than 1 year ago and so forth. So, actually, what we are seeing is a ratcheting down of the baseline over time. If, in fact, that continues, there actually will be less money 4 or 5 years from now than current baseline projections—

Mr. CARDIN. Let us hope you are right. I hope these projections—I just worry if it doesn't. One of the problems we have, I think we all agree, is that the lookback, where you have to go back to the 1996 eligibility to see whether a family, a child qualifies, needs to be adjusted. However, you don't change that. So, isn't a State being penalized if it doesn't go into the optional program because you still have the lookback arrangements? You are not trying to modernize the current program. Basically, it seems to me, you are trying to force States to go into the optional program that you call voluntary.

Dr. HORN. No, it is a complete voluntary choice on the part of the State. If the State feels that this is something that works for them, then the State can opt into it. Otherwise, the program stays the same.

Mr. CARDIN. Would you be willing to work with us to modernize the program on eligibility for those States that stay under the current system?

Dr. HORN. I think at the heart of this proposal is this notion that it seems kind of absurd to continue to have as an eligibility requirement for the Title IV-E program—a program that hasn't existed for 6 years called AFDC.

Mr. CARDIN. Good. Well, maybe we can at least agree on that part of the issue. I think my time is just about expired, so I will save the final questions for the next round or I will send them to you in writing. Thank you.

Chairman HERGER. Thank you, Mr. Cardin. The gentleman from Louisiana, Mr. McCreery, to inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. Dr. Horn, there do seem to be some parallels between the Administration proposal with foster care and the welfare proposal in 1996, the welfare plan that passed in 1996. In the welfare reform plan, we basically wanted to get people off welfare instead of adding to the rolls and basically giving States more money the more people they had on welfare. We said, look, we are going to give you a set amount of money and you can use it, and we hope you will use it, to keep people off of welfare and get them into work.

This proposal seems to me to be somewhat the same. You are telling the States, look, we are going to give you the same amount of money we have been giving you, but we are going to give you flexibility that we hope you will use to prevent children from going into foster care. Is that kind of where we are with this?

Dr. HORN. I think there are certain similarities between the two, yes.

Mr. MCCRERY. I know that you have granted some State waivers and there are some demonstration projects. Can you point to any that have shown results from the States using this money in the ways that you anticipate?

Dr. HORN. Yes. For example, in North Carolina, we granted a waiver in which they could use their Title IV-E funds with much more flexibility, including preventative services. One of the things that North Carolina found in this waiver process is that by providing more preventative services and being able to use those funds more flexibly, there was less need for children to go into foster care.

It is important for us all to keep in mind that foster care is an important service. The goal is not to eliminate the foster care system. There are children who require foster care placements. We believe that the categorical nature of the funding streams that support the child welfare system often get in the way of allowing the flexibility that States need in order to create a system that is both seamless and efficient, so that foster care is available for those children who need foster care. We ought to be able to also provide more preventative services so there is less need for foster care in the first place, not at the expense of child safety, but in order to

prevent abuse from occurring in the first place, obviating the need for some foster care placements.

Mr. MCCRERY. So, in effect, you encourage States to invest some of this Federal money in prevention, preventing children from having to go into foster care, but then if they are successful in that, in keeping children off the foster care rolls, you don't punish them by taking away their money. You reward them by continuing to give them a set amount of money that they can use for those purposes.

Dr. HORN. Yes. In fact, under the President's proposal, if a State did not use up its allotment in one year, much like the TANF program, they would be able to carryover those funds into subsequent years in case there were spikes in subsequent years in terms of a need for foster care or other services. So, yes, the idea would be if States are able to reduce the costs associated with foster care—not because they have compromised child safety but because they have been successful in prevention efforts—there may be savings that States then can reinvest or save for future years when there might be an additional need for foster care.

Mr. MCCRERY. Is there anything in the Administration proposal that would allow States to reduce the child safety protections in the law?

Dr. HORN. Nothing. Our proposal says that all of the child protections that are currently in place would continue. We actually think, in fact, that under the President's proposal, if a State were to choose that option, we would be in a better position to be able to ensure those protections are there. This would be true not just for kids who are fully eligible, but for all of the children in foster care. This is because the mechanism for looking at many of those protections would no longer be the Title IV-E reviews, which are only relevant to kids who get a Title IV-E payment, about 44 percent of the caseload, but rather the child and family services reviews which look at all the kids in care.

We think we would be in a better position to ensure those protections are in place, not just for Title IV-E kids, but for all the children in foster care, under the President's proposal.

Mr. MCCRERY. So, in other words, this proposal would actually give States the flexibility to expand their child safety protections?

Dr. HORN. We think that it would give them the ability to dedicate the resources they need to ensure those protections are in place.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman HERGER. Thank you, Mr. McCrery. The gentleman from Washington, Mr. McDermott, to inquire.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I appreciate the opportunity to talk. I wish we had a bill to look at, but since we don't, I will have to go on what I sort of surmise is going on here. When you put a block grant out there and you say to the States, you can choose a block grant or you can choose to stay in the old program, obviously, you want them to go to the block grant, don't you?

Dr. HORN. That would be up to the State. I have no—

Mr. MCDERMOTT. Wouldn't that be the purpose of putting out? You want to get them off the old program.

Dr. HORN. I think it is simply giving the State the option, and they can choose what they see is in their best interests.

Mr. MCDERMOTT. It seems to me, if I understand what is going on, you haven't changed the payments since 1996 and if you want to have an upgrade in your payments, you have to go into the block grant. If you stay in the old program, it is based on the 1996 data, is that correct? There has been no update since 1996?

Dr. HORN. States have the ability to set their own payment rates.

Mr. MCDERMOTT. The payments from the Federal Government, those haven't changed.

Dr. HORN. The Federal Government reimburses using the Federal Medical Assistance Payments rate, so that has not changed.

Mr. MCDERMOTT. If you stay with the old program, it is only kids that qualified for AFDC in 1996, right?

Dr. HORN. That is current law. That is right.

Mr. MCDERMOTT. So, what you are doing here is trying to make every incentive push in the direction of getting people to take the block grant, is that correct?

Dr. HORN. No, it is not correct. What we are trying to do is provide an option for a State. The State would then have the ability to make a decision based upon what they perceive is in their own best interests, and if they think the current system works best for them, we have no a priori belief whether that is a good or a bad judgment. That is for the State to make. So, it is giving an option to a State.

Mr. MCDERMOTT. I guess you were never in a State Legislature, but I was. I was a budget Chairman in a State Legislature and we would always try to figure out how to get the maximum amount of money out of the Federal Government. What you are telling me is that somebody would stay in a program where they would get less money? No. They are going to go for the block grant because they are going to get more money. Under present law, that baseline declines over time, right?

Dr. HORN. No, actually it depends on the State, and that is why a State would have to individually determine whether it makes sense to them. Some State baselines are accelerating; some are decelerating.

Mr. MCDERMOTT. We will discuss that if we ever see the language. Having done this a few years and watched the majority operate here, I always like to see what is in the language. We find out stuff in the language that is different than what we find in the newspaper, and these kind of hearings where we are kind of groping around in the dark.

One question I would like to ask you is the whole question of, if you go to the issue of a block grant, are the children covered by Medicaid or not?

Dr. HORN. Under the President's proposal, States choosing the option could do one of two things regarding Medicaid. First of all, they could continue to qualify kids for Medicaid as under the current system. Most children in foster care actually qualify for Medicaid because once a child is placed outside of their home, it is the child's individual assets and income—most of these kids don't have income, most don't have assets—that qualify or don't qualify them

for Medicaid. So, a State could continue under the option to do it that way, or under the President's proposal, a State could make all children in foster care categorically eligible for Medicaid. So, we see this not as reducing the availability for Medicaid one iota for children under this option.

Mr. MCDERMOTT. So, it is your testimony that no child will be denied Medicaid who is in foster care?

Dr. HORN. It is my testimony that a State would have the ability to make a choice, either to continue to determine Medicaid eligibility as under the current system, or to make all the children categorically eligible for Medicaid who are in foster care under the State option.

Mr. MCDERMOTT. That would be using options—using standards from 1996. If they stayed in the present program and used it, they would be using lower standards so that less kids would get in.

Dr. HORN. We may be confusing two issues here. The standards for Medicaid eligibility are separate from the standards for Title IV-E eligibility. Medicaid eligibility for kids in foster care is based on the assets and income of the child. The asset threshold is \$10,000 per child under the Chafee amendments and that would not change under the current law. If a State were to choose the option, they could continue to address Medicaid eligibility that way or make all the children categorically eligible in Medicaid.

Right now, most kids in foster care are, in fact, eligible for Medicaid. Either they are categorically eligible because they are Title IV-E eligible or they are eligible because of the asset-income test. Under the President's proposal, we would do away with the existing Title IV-E program for those States that choose the option. So, rather than making Title IV-E the category that allows kids to be Medicaid eligible, a State could choose instead to make all their children categorically eligible in foster care.

Mr. MCDERMOTT. What they have to do, then, is take that out of the block grant that they have gotten in Medicaid?

Dr. HORN. No. I think they would—

Mr. MCDERMOTT. The additional money—

Dr. HORN. Pay for it the same way they are paying for Medicaid now.

Mr. MCDERMOTT. I have got a State where we are putting in waiting lists in Medicaid, so I think people are going to be looking—

Dr. HORN. In foster care?

Mr. MCDERMOTT. No, not in foster care, in the regular Medicaid program.

Dr. HORN. Okay, then that is a different issue. We are talking about the foster care.

Mr. MCDERMOTT. Oh, this is another Medicaid program?

Dr. HORN. This is the Medicaid program for kids in foster care.

Mr. MCDERMOTT. It is not the same Medicaid? That is, Medicaid is not Medicaid?

Dr. HORN. You said that your State has waiting lists for Medicaid, and I asked if that was true for foster care.

Mr. MCDERMOTT. Yes, I understand that.

Dr. HORN. I would be surprised if you had waiting lists for Medicaid coverage for kids in foster care.

Chairman HERGER. The gentleman's time has expired.

Mr. MCDERMOTT. I would like to see the language, Mr. Chairman.

Mr. CARDIN. Could I just ask unanimous consent for 15 seconds, just to get a clarification on Dr. Horn's point?

Chairman HERGER. Without objection.

Mr. CARDIN. Thank you very much. You are suggesting that States have legislative authority so that all of their children in the new program could be eligible for Medicaid, is that what you are suggesting?

Dr. HORN. Yes.

Mr. CARDIN. Thank you.

Chairman HERGER. The gentlelady from Connecticut, Mrs. Johnson, to inquire.

Mrs. JOHNSON. Thanks very much, Mr. Chairman, and thanks for holding this hearing and for your interest in this subject.

Dr. Horn, I have been working on this since 1990. My State was one that got a waiver and they very smartly divided the kids into a control group and a demonstration project. I just want to report how very well the children did under the demonstration project which allowed the money to follow the child's need. Now, the money only goes to the State if you take the child out of the home. That is just so absurd, it is unbelievable.

So, we got a waiver to do that, and in our waiver, 39 percent of the kids in the demonstration, that is, those kids who are allowed to have their needs determine where the money was spent, 39 percent of those kids were in in-home placements versus 11 percent under the regular program. Twenty-four percent of the—in the 12 months of the demonstration project, kids spent 24 percent of their days with their family versus 9 percent for the control group, and children in in-home placements had 16.5 percent fewer clinical system visits than in the control group, which was 7 percent.

So, in other words, their mental health, their progress toward dealing with their emotional problems was greater. Their treatment options were greater. Their length of stay in restrictive settings was radically decreased. The children did better. The families did better. It cost no more money.

I do have two concerns with your proposal, because while it costs no more money, in a bill I introduced some years ago actually working with Mr. Cardin, we did allow States to negotiate with the Federal Government what their baseline would be, looking at projections. So, I think it is important that we not just automatically freeze them where they are now—that the expected increase in costs is recognized, because while this provides much better quality care for children and enables States to develop a much better group of community-based services, it isn't necessarily going to save money.

You have got to allow salaries to increase. One of the biggest mistakes we make in the human services is we don't plan for salary growth costs. So, I think I would like you to address whether your plan in any way looks to the future of cost growth.

Then the second thing we did in our bill was to enable States when there were certain dimensions of increasing caseload, and you referred to the problem with the crack babies, to elect to snap back into the entitlement-based program. That structure will be there because not every State is going to elect the block grant. If they could elect the block grant knowing that if certain triggers were reached they could automatically snap back into the old program, then I think you would see not only services grow and there never being a need to snap back, but I think we would see the quality of care for these children dramatically improve.

So, those two things—the snap back and negotiated baseline, looking toward future costs—I would like you to address.

Dr. HORN. First of all, I would like to recognize your long-standing interest in this—

Mrs. JOHNSON. Sometimes mean-spirited interest in this.

[Laughter.]

Dr. HORN. I just hope that in 2010, we are still not in this room trying to figure out how to reform child welfare.

Mrs. JOHNSON. I hope not.

Dr. HORN. In terms of your two issues, first of all, under the current baseline projections nationally, the expenditures under the Title IV–E program are expected to grow at about 4 percent a year, and all of that would be captured in the 5-year projections.

Mrs. JOHNSON. You are not talking about freezing. You are talking about a baseline based on the expected growth.

Dr. HORN. That is exactly right. So, there is expected growth that is part of the baseline. Some States have a higher growth rate than 4 percent, some have a lower growth rate. Nationally, the growth rate is 4 percent.

Now, what is different about our proposal is that we don't just say, if you take this, you are stuck with what the current baseline projections are year by year by year. You can choose that if you want to under our proposal. The other thing that we let you do is—as an option—is to collapse that 5-year total and take it in equal 5-year increments, which means in the first few years you get more money than you would expect under the current baseline projections and at the latter part you would have less money. The State would have the option. They could do it that way, equal increments, or allow it to grow over time given their baseline projections.

The advantage of the former, that is, to take it in equal increments, is that you can put some up front investments in prevention that may reduce, we hope, the need for foster care. The advantage of the other is that you get a predictable growth in terms of the money that you get from the Federal Government over 5 years—

Mrs. JOHNSON. Which is basically the growth they would get anyhow.

Dr. HORN. That is right, and so—

Mrs. JOHNSON. So, we are not in any way reducing the amount of money they are allowed to get.

Dr. HORN. Not at all.

Mrs. JOHNSON. We are giving them some options about when they get it.

Dr. HORN. That is exactly right. In terms of your question about if there is an increase in caseload—we considered as an option the ability for States to opt back into the open-end entitlement and we couldn't do that and keep this proposal cost neutral over 5 years if we also allowed States to take the money in equal increments over time.

Mrs. JOHNSON. So, you could allow a snapback for the States whose base rose each year, but not for those that chose the option?

Dr. HORN. That is not currently part of the President's proposal. The way we try to deal with that is allow States who experience an uptick in the need for foster care to access additional dollars through the TANF contingency fund.

Mrs. JOHNSON. Right.

Chairman HERGER. The gentlelady's time has expired. I thank her. The gentleman from California, Mr. Stark, to inquire.

Mr. STARK. I guess we don't know what the plan is, but I guess, basically, if I understand it, Dr. Horn, you want to give the States an option for a block grant and you are not increasing any funds to State programs for foster care programs, is that right?

Dr. HORN. It is not true that we haven't asked for additional funds for State child welfare systems, including foster care, because we have asked for \$1 billion in additional money over 5 years in the Safe and Stable Families Program.

Mr. STARK. How much did you get?

Dr. HORN. We only got half of it, and——

Mr. STARK. Half?

Dr. HORN. Half of it has been appropriated——

Mr. STARK. Is that \$500 million or \$100 million?

Dr. HORN. We got \$500 million over 5, and this year——

Mr. STARK. Oh, \$100 million a year.

Dr. HORN. Over 5 years, \$500 million in additional money, and what we are asking for this year is for the other half. You came a little bit late to the hearing and I already expressed my gratitude to both the Chairman and the Ranking Member for sending a very supportive letter to the Appropriations Committee supporting our request for the additional money in Safe and Stable Families.

Mr. STARK. If a State were to take your block grant and their caseload increased, if the preventive program didn't work, or if there was a drug epidemic as we had with crack, then they would have no way to find the additional funds to deal with that increased caseload, is that correct?

Dr. HORN. No, it is not, because under our proposal, the State in those conditions would be able to draw down additional funds from the \$2 billion TANF contingency fund, and so there is an ability for States to access that money.

Mr. STARK. That cuts their TANF program, so——

Dr. HORN. Well, no——

Mr. STARK. Let us just deal with the foster care. Under the block grant program, you are letting them take 5 years flag, or 5 years fixed, and they can draw it down earlier if they choose, right? If the programs don't work, then toward the end of the program where they would need more money for foster care services, is that right?

Dr. HORN. Well, again——

Mr. STARK. If the caseload increases——

Dr. HORN. If the caseload increases, they would have the ability to draw additional funds.

Mr. STARK. They would not get that from the Federal Government, would they?

Dr. HORN. No, they would. The TANF contingency fund is part of the Federal budget.

Mr. STARK. The contingency fund is for TANF, right, or for cases that one might expect in the coming recession who have nothing to do with foster care. That money could be used for child care and worker training and day care and all those other things, right?

Dr. HORN. Well, we have just been through a recession and, in fact, under the TANF program—there was no State that drew down any money in the contingency fund.

Mr. STARK. You may do very well in social work, but in economics, we are in a recession. We haven't been through one yet. We are on the way down, pal, and let us confine your expertise, such as it is, to social work. We have not been through one yet. We are losing a couple of million jobs a year and they are not being recreated by the stupid tax cut and the unemployment is going up. In anybody's book, that is very apt to increase the burden on TANF funds. So, that with a block grant to the States, it is close to lying to suggest that there will be money in the TANF funds to support foster care.

Mr. CARDIN. Would the gentleman yield just very briefly on that point?

Mr. STARK. Yes, I would be glad to.

Mr. CARDIN. It is not only an increasing caseload, you are assuming a declining caseload.

Dr. HORN. In which program?

Mr. CARDIN. As I understand, the Congressional Budget Office (CBO) baseline assumes over the next 10 years a decline in the caseload, and therefore, the 4 percent reflects a decline in the caseload because of the average monthly maintenance payments going up.

Dr. HORN. The way that——

Mr. CARDIN. I think that if a State just held its own, it actually would be under the CBO baseline.

Dr. HORN. Well, I will try to restrict my testimony to my area of expertise and one of them is as a social scientist who looks at empirical data, and we actually have data from States who, in fact, have opted under the waivers to take this money more flexibly. The fact of the matter is, what they have been able to do is demonstrate with more flexible funding that they can, in fact, reduce the need for foster care. They can reduce the length of time in foster care and, in fact, expend less money.

Mr. CARDIN. Let me just make one more point before Mr. Stark's time expires, and that is that the total TANF contingency fund is \$2 billion. The foster care system is \$5 billion a year. It is hardly enough if we really run into a problem for the entire system.

I think the point is, if we run into a problem, we are running significant risks here whether the resources are going to be there to deal with these vulnerable children. Thank you, Mr. Stark.

Chairman HERGER. The gentleman's time is expired. Dr. Horn, your testimony describes how national statistics show that too many children are lingering in foster care and waiting for adopted families. Could you give us a little more background about the number of children currently in foster care, how long these children spend in foster care, and what these lengths of stay mean in terms of outcomes for those children—and also could you give us the Administration's proposal to address these concerns?

Dr. HORN. Currently, there are about 542,000 children in foster care. About 46 or close to 47 percent of them are Title IV–E eligible children. The average length of stay for a child in foster care is about 3 years. Now, one of the things we know from the empirical literature is that the longer a child spends in foster care and the increase in the number of placements in foster care is directly associated with poor outcomes.

So, if we want to have better outcomes for children, what we need to do is find ways to reduce the length of stays in foster care—again recognizing the foster care system is an important piece of the system of child welfare services—and also try to reduce the number of placements. We believe that by providing the ability for States to use this money more flexibly—to, in fact, fund more preventative services as well as more intensive services for kids that are particularly at risk—will support State efforts to improve outcomes for children.

There is a State waiver that we gave that looked at children who are very, very much at risk from multiple placements, disruptive placements, and long-term foster care. These are kids with long histories of aggressive behavior, fire setting, and so forth. Right now, you can't use Title IV–E funds for those kids to provide intensive services. So, we provided the waiver to provide intensive services to those kinds of children, and what we found was that those kids who are provided those intensive services were less likely to have disrupted foster care placements and so we think that States can use this more flexible funding structure to better suit the needs of children in the foster care system.

Remember, it is important to keep in mind that we do not fund all children in foster care. We only fund 47 percent of the kids in foster care, those children who are Title IV–E eligible. Those children, in part, are Title IV–E eligible by pretending the AFDC system still exists. It doesn't exist. Yet we make eligibility workers in the foster care system pretend as if the 6-year-old dead program still is alive, and well, that makes no sense.

So, what we are saying is, break down the categorical nature of this funding stream. Allow States to use this money more flexibly. Allow them to use it for services as well as administrative costs and foster care payments, which they can't do now under current law, and we think—and based on the experience we have had with the State waivers—that we are going to see better outcomes for kids.

Chairman HERGER. Thank you. The Congressional Research Service (CRS) recently did a memo that shows how Federal foster care funding can swing wildly within States from year to year. At the same time, we don't see these wild swings in the number of children in foster care based on this. If I were a State program ad-

ministrator, one of the most attractive features of this proposal is the added predictability I could gain in terms of Federal funds that we receive to serve children and families in the next 5 years.

Dr. Horn, would you care to comment about how this proposal can provide States more predictability over funding they receive and what that can mean for States?

Dr. HORN. Well, certainly if a State were to choose this option, they would have a very clear idea of the amount of money that they will have in each of the next subsequent 5 years. They could choose that money to come to them in equal installments over 5 years or in an acceleration based upon the State's baseline projections. They would know exactly how much money they would have and I think that would add to predictability. If I were running a child welfare system and wanted to know what my budget was, I would have a better sense of being able to budget for the future years if I knew what that money was, as opposed to sort of rapid changes in how much money is being drawn from the Federal Government.

Chairman HERGER. Dr. Horn, thank you very much for your testimony. With that, I would like to ask the next—

Mr. STARK. Mr. Chairman?

Chairman HERGER. Yes?

Mr. STARK. Could we have a second round here?

Mr. CARDIN. Mr. Chairman, if I might, this will be the first time I have made this request. I think we have made some progress here today in clarifying some of the points. I think it might be useful to have a second round, and I would request maybe we could limit it to 3 minutes rather than 5.

Chairman HERGER. I think we have had good testimony from the Administration. I do not want to delay the next round, and I believe we will move to the next round.

Mr. STARK. Sort of like weapons of mass destruction, Mr. Chairman. If we hide them from the public—

Chairman HERGER. The next panel will have a seat at the table, please: Barbara Riley, Deputy Director of the Office of Children and Families of the Ohio Department of Job and Family Services; Elaine Ryan, Deputy Executive Director of Policy and Government Affairs of the American Public Human Services Association (APHSA); Dianne Edwards from my home State of California, Director of Sonoma County Human Services Department; and Terry Cross, Executive Director of the National Indian Child Welfare Association in Portland, Oregon. Ms. Riley, if you would testify.

**STATEMENT OF BARBARA RILEY, DEPUTY DIRECTOR, OHIO
DEPARTMENT OF JOB AND FAMILY SERVICES, COLUMBUS,
OHIO**

Ms. RILEY. Chairman Herger, distinguished Subcommittee Members, I am Barbara Riley, Deputy Director of the Ohio Department of Job and Family Services and responsible for Ohio's child welfare program.

It is my pleasure to testify today in regard to the Administration's foster care flexible funding proposal. For a number of years, the States have been eager to engage in a conversation regarding

child welfare financing, and I welcome the opportunity to discuss some of the benefits and the challenges this proposal presents.

In order to provide some context for Ohio's interest in foster care financing, I would like to share just a quick snapshot of our child welfare system. In State fiscal year 2002, we had over 71,000 reports of child abuse and neglect involving nearly 114,000 children. In July, 1992, we had 17,285 children in out-of-home placement, and by July of 2002, that had risen to 22,883, with an average length of stay of 208 days, and until I heard the average for the country, I had no idea how lucky Ohio's children are that we are only at 208. However, I would like to ask you to think about how long 208 days is in a child's life.

In State fiscal year 2002, Ohio's children spent over 8 million days in foster care, which is equal to 2½ days for every child in Ohio, and an increase of 39 percent from 1992. In that same time-frame, placement costs rose by 134 percent.

In State fiscal year 2002, 36,417 Ohio children were in the custody of a public children's service agency, and our total expenditures for child welfare in Ohio in fiscal year 2003 are projected to be about \$850 million, with county taxpayers bearing 55 percent of that total while the Federal Government will absorb approximately 38 percent of that cost.

These statistics clearly represent the scope of our issues, but the depth and the breadth of the problems we face to resolve is vast, and our experience has taught us that segregated funding streams do not support the efforts that need to be made to affect child safety and well-being. In fact, I believe that the current Title IV-E funding system rewards failure rather than success. So, Ohio is very much interested in the foster care flexible financing proposal with some modifications.

This proposal would allow the States to choose to receive their foster care maintenance, administration, and training funding in the form of a quasi-block grant, providing greater flexibility. I am able to foretell the future of this proposal for Ohio with some level of confidence as Ohio is in the enviable position of having a Title IV-E child welfare demonstration waiver that has taught us just how important flexible funding can be.

In our protect Ohio waiver, 14 counties receive a budget of placement days at a very set unit cost and along with that the flexibility to use their Title IV-E funding on children and services as they see fit. To the extent that a county is able to avoid the placement of children, their allocated dollars not used on placement may be used for non-Title IV-E services, such as family counseling, drug treatment and prevention.

We have just completed our 5-year evaluation, and it reveals several very intriguing results. On the business side, we have saved \$41.2 million in placement costs while those dollars are available for alternative services. Most importantly, children experience 682,350 fewer days in placement.

On the programmatic side, the waiver results include improved availability and quality of services, development of new services, increases in service capacity, timely access, increased attention to outcomes, and increased family involvement. In essence, the State serves as a managed care provider to the Federal Government, and

the Federal Government indemnifies itself against any cost overruns for increases in placement costs that might be experienced by those 14 counties.

If we could extend this ability statewide to align funding with successful outcomes for children and families, I believe it could herald the beginning of child welfare reform in Ohio akin to the level of reform experienced under the TANF program.

The Administration's foster care flexible funding proposal promises much. However, for us to be able to experience such a reformation, we would like to recommend that Congress provide States with the ability to negotiate how to administer this budget-neutral flexible funding option in each State.

The Congress allows States to choose to opt in beyond the Federal fiscal year 2004. Even if you freeze the base for establishing funding levels, this type of endeavor requires incredible planning at the State level and may even require changes in State law. We would ask Congress to allow States to reopen the option if additional Federal requirements alter the actuarial assumptions on which original funding levels were based.

Also, the inflation factor needs to more accurately reflect an individual State's experience rather than a national average. We also believe that access to the contingency fund should be dependent only on increases in State caseloads, not national experience.

Also, for Ohio, it is important that the statewide Automated Child Welfare Information Systems funding not be included.

Chairman HERGER. If you could sum up your testimony, please.

Ms. RILEY. Mr. Chairman, Members of the Subcommittee, there is little doubt in my mind that the Federal funding for foster care forces rigidity—that is, as it is today—forces rigidity onto the foster care system and the flexible funding here offers much promise to Ohio. Thank you, Mr. Chairman.

[The prepared statement of Ms. Riley follows:]

Statement of Barbara Riley, Deputy Director, Ohio Department of Job and Family Services, Columbus, Ohio

Good afternoon. Chairman Herger, distinguished Subcommittee Members, I am Barbara Riley, Deputy Director of the Ohio Department of Job and Family Services, and responsible for Ohio's child welfare program. It is my pleasure to be able to testify today in regard to the Administration's Foster Care Flexible Funding proposal. For a number of years the states have been eager to engage in a conversation regarding child welfare financing, and I welcome this opportunity to explore some of the benefits and challenges this proposal presents.

In order to provide context for our interest in foster care financing, I would like to share a snapshot of our child welfare system.

- In State Fiscal Year (SFY) 2002 we had 71,366 reports of child abuse and neglect, involving 113,897 children.
- In July 1992 there were 17,285 children in out-of-home placements. In July 2002 that number had risen to 22,883, with an average length of stay of 208 days.
- In SFY 2002 Ohio's children spent 8,105,166 days in foster care, which is equal to 2½ days for every child in Ohio, and an increase of 39% from 1992. In that same time frame costs rose by 134% to \$325.4 million per year.
- In SFY 2002, 36,417 Ohio children were in the custody of a public children services agency.
- Total expenditures for child welfare in Ohio in SFY 2003 are estimated to be \$850-\$865 million, with county taxpayers bearing about 55 percent of that total, while the Federal Government will absorb approximately 38 percent of the cost.

These statistics clearly represent the scope of our issues. The depth and breadth of the problems we must resolve is vast, but our experience has taught us that segregated funding streams do not support the efforts that need to be made to affect the safety and well-being of children. In fact, I believe that the current Title IV-E funding system rewards failure rather than success, so Ohio is very much interested in the Foster Care Flexible Funding Proposal, with some modifications.

This proposal would allow the states to choose to receive their foster care maintenance, administration, and training funding in the form of a quasi block grant, providing greater flexibility in determining who we serve and with what services. I am able to foretell the future of this proposal for Ohio with some level of confidence, as Ohio is in the enviable position of having a IV-E child welfare demonstration waiver that has taught us just how important flexible funding can be. In our ProtectOhio waiver, 14 counties receive a budget of placement days at a set unit cost; and along with that, the flexibility to use their IV-E funding on any child who is a victim of abuse and neglect, and for any service, regardless of IV-E eligibility. To the extent that a county is able to avoid placement of children, their allocated dollars, not used on placement, may be used for non IV-E services such as family counseling, drug treatment, prevention services, etc.

Our five year evaluation has been completed and reveals several very intriguing results. On the business side: we have saved \$41.2 million in placement costs, with those dollars available for alternative services; and most importantly, children experienced 682,350 fewer days in placement. On the programmatic side, the waiver results include: improved availability and quality of services, development of new services, increases in service capacity, timely access to services, increased attention to outcomes, increased family involvement in case management, and increases in recruiting results for foster and adoptive parents. In essence, the state serves as a managed care provider to the Federal Government, and the Federal Government indemnifies itself against any "cost overruns" for increases in placement costs that might be experienced by these counties.

If we could extend statewide this ability to align funding with successful outcomes for children and families, I believe it would herald the beginning of child welfare reform in Ohio, akin to the level of reform experienced with Temporary Assistance to Needy Families. The Administration's Foster Care Flexible Funding Proposal promises much, however, for us to be able to experience such a reformation, I would like to recommend that:

- Congress provide states with the ability to negotiate how to administer this budget neutral flexible funding option in each state;
- Congress allow states to choose to "opt in" beyond FFY 2004, even if you freeze the base for establishing funding levels, as this type of endeavor requires planning at the state level, including potential necessary changes in state law;
- Congress allow states to reopen the option if additional federal requirements alter the actuarial assumptions on which original funding levels were based;
- The inflation factor more accurately reflect an individual state's experience, rather than a national average;
- Access to the contingency fund be dependent only on increases in state case-loads; and
- SACWIS funding not be included in the option.

Mr. Chairman, members of the subcommittee, there is little doubt in my mind that federal funding for foster care, as now manifested in Title IV-E, forces a rigidity onto child welfare practice that limits and stifles state and local innovation. Removal of that rigidity would, in my opinion, create a singularly powerful catalyst to state and local innovation and reform by targeting service dollars to both stated federal policy objectives, and just plain good child welfare practice. I also believe that any flexible funding model must occur in the context of preserving a federal entitlement for foster care maintenance funds, while also creating a more rational array of funding incentives which reward best practice behaviors. Against this backdrop, Ohio would both welcome and embrace many of the elements of the Administration's proposal.

Thank you for the opportunity to provide this testimony, and I would be happy to answer any questions.

Chairman HERGER. Thank you very much, Ms. Riley. Ms. Ryan?

STATEMENT OF ELAINE M. RYAN, DEPUTY EXECUTIVE DIRECTOR, POLICY AND GOVERNMENT AFFAIRS, AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION

Ms. RYAN. Mr. Chairman and Members of the Subcommittee, thank you so much for the opportunity to testify. I am Elaine Ryan. I am the Deputy Executive Director of the APHSA. I really appreciate the opportunity to focus on this very critical issue of child welfare financing that just impacts so many children's lives. We have had the opportunity to testify before you and really commend Congresswoman Johnson's leadership on child welfare financing in the past, and Mr. Cardin's, and also look forward to working with the Committee on these important issues.

Our association has spent the last 7 years looking at child welfare financing, so this is not new to our association. We see what I think most of the experts in the room and those who have testified see, and that is the fact that the Title IV-E entitlement structure is just woefully inadequate and out of step with the needs of the children and families we serve.

For example, the circumstances of abuse and neglect bring children to the system. It is not the income of their parents. Yet we have a Federal funding stream that only supports the services to the poor children in the system, but not all the children in the system. We believe that needs to be reformed.

The second principle that we have embraced over the years is enhanced Title IV-E flexibility. By flexibility, we mean the ability to use Federal funds in a way that are more contemporary with the needs of the system. For example, Title IV-E funds cannot be used for investigations, frontline worker training, post-adoption services to guarantee that those are successful adoptions, permanency, or subsidized guardianship for some of the older, more troubled children in the system. It is out of step with the children and families' needs and it needs to be reformed.

So, we come to you with a lot of recommendations and are grateful for the opportunity, because we feel a sense of urgency. You see, because of the lookback, the Federal financial commitment to child welfare has slipped over the years. Just by inflation alone, fewer children are eligible for any reimbursement or services.

Second, we have experienced huge cuts in the Social Services Block Grant program (SSBG), and I just want to commend the Members of this Subcommittee in particular for your leadership, and Congressman Levin's and Mrs. Johnson's leadership, in particular, to restore block grant funding for the SSBG, such a critical source. The block grant has been cut from \$2.8 billion to \$1.7 billion and it is hurting on the frontlines. We need to have that restored.

I have a lot of passion about this issue, and it is because I think so much is at stake that we do this right, that we take the time to embrace proposals that will have the maximum possible benefit for the vulnerable children and families in this system.

We were asked early on, quite frankly, when the Administration released their budget proposal to examine it, and we gladly did so by putting together a working group of States. When we asked about which States had interest in the issue of child welfare financing, 38 States signed up immediately to say, count us in, because

they know what we all know, that this system is in bad need of reform.

The foster care flexible funding option that the Administration has put forth has some very positive options. First, it stops the slide and the lookback. In other words, States don't have that declining Title IV-E reimbursement. Second, States can use those dollars for all children in the system. Third, you can use those dollars for multiple purposes, like some of those that I have mentioned earlier in my testimony.

With that said, we also have heard in our exploration of this some concerns raised. For example, Congresswoman Johnson's point of the snapback—I like that better than opt out—but quite frankly, States are concerned that if they commit once and have a short period of time that they are in for 5 years. They also have raised some issues that I have outlined in my testimony that I commend to your attention.

States are in very different points of reform. Ohio is in a place. California is in a place. One thing we know is we need every option possible to serve these children as quickly as possible and with some flexibility to meet their needs. The current system doesn't do that.

Let me just close by saying that we are very appreciative of Mr. Cardin's leadership in terms of trying to fix the lookback, making it a bit more contemporary. Of course, we want Federal financial participation on all children in the system, but we really appreciate your initiative as a fine starting point for future discussions.

Second, States, as you well know, are going through the child and family services reviews. They are then asked to put together Program Improvement Plans (PIPs), and as I have put it, in some circumstances, State budgets are too pooped to PIP.

[Laughter.]

In other words, we don't have the resources to meet the objectives contained in those proposals, to be able to get some of those improved outcomes for children and families, and we have a lot at stake here.

So, let me say that we appreciate the recognition of the idea that more resources might be needed for those program improvement plans, but we think we can find perhaps some reform in making Title IV-E more flexible so that you can actually use those dollars to drive those outcomes. For example, training caseworkers in child development, you can't—

Chairman HERGER. If you could sum up, please.

Ms. RYAN. You can't do that now, and we think that Title IV-E could be made more flexible in a number of ways.

Let me just sum up by saying we are appreciative of the child welfare waiver authority and Congressman Herger, for your leadership in including that in the Welfare Reform Act (P.L. 104-93). We want to see that demonstration authority that has worked so well in Ohio and Connecticut continue. In sum, I am happy to answer any questions that you may have for me.

[The prepared statement of Ms. Ryan follows:]

Statement of Elaine M. Ryan, Deputy Executive Director, Policy and Government Affairs, American Public Human Services Association

Good afternoon, Mr. Chairman and Members of the Subcommittee, I am Elaine M. Ryan, Deputy Executive Director for Policy and Government Affairs at the American Public Human Services Association (APHSA). I am pleased to have the opportunity to testify about child welfare financing reform and the proposal to create a foster care funding option for states.

Child Welfare Financing Reform Goals

As the national organization representing state and local agencies responsible for the operation and administration of public human service programs, including child protection, foster care and adoption, APHSA has a long-standing interest in developing policies and practices that promote improved performance by states in operating these programs for our nation's most vulnerable children and families. Indeed, APHSA members have dedicated nearly seven years discussing and crafting policy recommendations with respect to the financing of the child welfare system. APHSA has embraced two fundamental goals for child welfare financing reform outlined in our policy document, *Crossroads: New Directions in Social Policy*. First, there should be federal financial participation in support of all children in the child welfare system and, second, there should be increased flexibility in the use of IV-E funds.

APHSA policy supports delinking IV-E eligibility from AFDC so that the Federal Government can share in the support of all children in the child welfare system, regardless of income. With respect to increased flexibility, we strongly believe that the current IV-E structure fails to support the outcomes for children and families that we seek to achieve. Federal funding is disproportionately directed to funding out of home care—the very part of the system agencies seeks to minimize in order to achieve greater permanence for children. The IV-E entitlement should fund front-end services, reunification, post-permanency for children and families in the system as well.

Over the past several years, the demands on the child welfare system have increased significantly. State administrators have focused their efforts on implementing the requirements of the Adoption and Safe Families Act and setting forth plans to achieve improved outcomes for children with respect to safety, permanency and well-being. At the same time, fewer and fewer children served in the child welfare system are supported with federal funds, due to the “look back” provision of the welfare reform act that links IV-E eligibility to the former AFDC eligibility rules in effect as of July 16, 1996. In addition, since 1996, the Social Services Block Grant, a critical source of federal funding for child welfare, has been dramatically reduced from \$2.8 billion to \$1.7 billion. And recent federal policy announcements and actions threaten to restrict federal IV-E reimbursement for administrative costs incurred on behalf of children in unlicensed foster family homes as well as for targeted case management under Medicaid. Given the growing demands on the child welfare system and in light of the fragmented and fragile funding infrastructure, we believe Congress must address the critical issue of child welfare financing.

With so much at stake, we urge this subcommittee to engage in a thorough and comprehensive examination of all possible reform proposals.

The Administration's Foster Care Flexible Funding Proposal

We want to commend the Administration for highlighting the need for child welfare financing reform by setting forth a foster care flexible funding option in its FY 2004 Budget. Shortly after the release this year of the Administration's proposal, APHSA formed a working group of interested states to discuss various aspects of the proposal. In addition, Dr. Horn, Assistant Secretary for the Administration for Children and Families and various Administration officials have met with our members and have solicited input on the proposed idea and the design of a state option. I am pleased to have the opportunity to share some of our preliminary thoughts on the broad construct of the foster care flexible funding proposal, based on the feedback we have received from our working group. However, it is important to note that APHSA has not taken a formal position on the Administration's proposal to date. When legislation is introduced in Congress, we will bring the proposal before our membership for consideration at that time.

As we understand the proposal, there are several strong aspects of the Administration's foster care flexible funding option. First, states would have the flexibility to use their IV-E funding allotments, as well as their MOE funds, for a broad range of services to children and families. We assume any legislative language would enable states to invest in prevention, subsidized guardianship, case-management, post-adoption services, and cross-system collaborative efforts with substance abuse agencies and juvenile courts and other activities and services as they see fit. Second,

under the option, states could use the federal and MOE funds for all children in their foster care system, without regard to income. Third, under the option states could stem the decline in IV–E funding, due to the “AFDC look-back.” Fourth, states would have the option of spending a greater proportion of their annual allotments in the first several years and could opt to roll any unspent funds from one fiscal year to the other. Finally, states would have access to a contingency fund in the event of a significant increase in their foster care caseload.

Determination of Baseline and Opt-in Period

As the subcommittee members are well aware, states child welfare systems are at various stages of reform and their state fiscal situations vary. Some states have experienced dramatic declines in IV–E eligibility claims in recent years, some have achieved reductions in foster care caseloads, some have seen increases, and some have operated waiver demonstrations. In addition, states differ in the resources used to support their child welfare systems—some have used TANF, SSBG, Medicaid, and a host of state and local resources. Therefore, states will need to engage in a complex calculation of whether to embrace the option or continue to operate under the entitlement structure.

States will have great interest in the calculation of the baseline, the base year, treatment of claims filed vs. claims paid, the treatment of child support collections, disallowances and deferrals. States should be consulted in the development of the criteria used to calculate the baseline. In addition, we would urge the subcommittee to consider adding a state option to exclude the cost of AFCARS and SACWIS systems from the baseline calculation and retain the current federal match for these data systems.

Lead time will be important to states interested in opting in to allow for calculations to determine benefits of participating, to make any needed regulatory and/or statutory changes, systems changes, and to instruct the field of changes in practice. A significant time period may be required due to the need for extensive discussions with their local jurisdictions who administer child welfare. In addition, the proposed one-time opt-in period may limit some states from taking advantage of the option, due to the need to seek legislative approval or to undertake the aforementioned approval process. The subcommittee might explore the idea of allowing states to opt in within a two or three year period.

Opt Out

Some states have expressed concerns with the provision in the foster care option that would require states to stay in the option for five years. In light of the fiscal difficulties in the states, and the uncertainty related to the rising cost of child welfare, caseload dynamics and other factors, we urge the subcommittee to consider affording states the opportunity to opt out within the five year period. The creation of a contingency fund, while helpful, may not be able to shield states from unexpected revenue shortfalls or rising state deficits. With the protection of children our paramount concern, state should be able to opt out of the plan.

Maintenance of Effort

As in the TANF statute, we recommend the maintenance of effort (MOE) requirement should be limited to the historic share of state match for the base year identified in the law.

Links to Other Programs

As the subcommittee considers the option, we encourage you to look in-depth at the relationship this foster care option will have to other federal programs such as IV–E Adoption Assistance and Medicaid. While states may serve all children without respect to income under the foster care option, IV–E eligibility for Adoption Assistance must be simplified. Medicaid coverage must be continued for all previously eligible children under the option.

Contingency Fund

Under the Administration’s proposal, states would need to meet a federal and state trigger in order to draw contingency funds. We recommend that the subcommittee consider one trigger linked to a significant increase in the state’s foster care caseload. In addition, Congress should ensure that the match rate under the contingency fund is no greater than the state’s current IV–E match rate.

Additional Congressional Actions

As stated earlier, state child welfare systems vary widely. For some states, the proposed option may not be viable. Cost neutrality conditions and financial risks may not be acceptable to some states. Therefore, in addition to considering the fos-

ter care funding option, we encourage the subcommittee to consider the following revisions to the IV-E entitlement.

Address the “Look Back”

Under the welfare law of 1996, states were given greater flexibility to establish Medicaid eligibility, including an inflation factor. However, with respect to IV-E eligibility, no inflation factor was included in the provision. In 1996, Congress acknowledged that they would need to address the IV-E eligibility criteria at a later date. Nearly seven years have passed and no action has been taken. We urge action on this critical issue. We want to acknowledge the legislation sponsored by Congressman Cardin that would update the IV-E eligibility by linking it to TANF eligibility. While we believe the proposal does not go far enough, we believe it is a positive starting point for further discussion.

Expand IV-E Flexibility

We appreciate that the Cardin bill recognizes that states will need additional resources in order to implement their Program Improvement Plans resulting from the federal Child and Family Service Reviews. We urge the subcommittee to examine the ways IV-E funding might be made more flexible so that states could use these resources to improve the outcomes for children and families in the system.

Restore the Social Services Block Grant

I cannot discuss child welfare funding without mentioning the Social Services Block Grant (SSBG). SSBG is a critical source of federal funding for child welfare services, and \$1.3 billion in increased funding is currently pending in the Senate as part of the CARE Act. It is also through the leadership of several members of this committee including Representatives Johnson, Levin, Camp, Cardin, McDermott, English, and Stark who have called for full restoration of SSBG to \$2.8 billion as part of the Social Services Block Grant Restoration Act. APHSA strongly encourages the subcommittee to support SSBG Restoration, either through passage of this legislation or as part of HR7, the companion bill to CARE that may move through the House. There are a host of SSBG services that support children and their families involved in the child welfare system; it is significant that in FY 2001 49 states used over \$825.5 million for such child welfare services such as foster care, child protection, prevention and intervention, and adoption. According to an Urban Institute survey, SSBG was the second major funding stream for child welfare services after Title IV-E. Also, with only \$21 million available federally under the Child Abuse and Prevention and Treatment Act (CAPTA) for the protection of children, states made use of over \$314 million in SSBG funds for the same purpose.

Reauthorize and Expand IV-E Child Welfare Waivers

We appreciate the leadership of this subcommittee to reauthorize IV-E waivers in H.R. 4, the welfare reform act and call on Congress to include this provision in any final TANF legislation. The current waiver process limits innovation, prohibits approval for multiple states to test similar innovations, such as subsidized guardianship; restricts research, control groups, and random assignment requirements; cost-neutrality methodology; and limits statewide approaches. While the waiver program has enabled some states to reinvest federal foster care funding in services and other activities to improve their systems and promote permanence, in its current mode of HHS implementation, it is a promise unfulfilled and will not meet state's needs for the flexibility necessary to achieve broad systems change. APHSA strongly supports making substantial modifications to the current Title IV-E waiver process to allow more flexibility and to foster system change, including eliminating the limited number of waivers HHS can approve; eliminating approval criteria that require random assignment and control groups that limit statewide approaches; eliminating the limited number of states that may conduct waivers on the same topic; eliminating the limited number of waivers that may be conducted by a single state; and enabling states to continue their waivers beyond five years. The Title IV-E Demonstration Waivers would afford states another option to achieve flexibility and improve performance.

Conclusion

APHSA's vision for child welfare is a society where children are free from abuse and neglect, and live in safe, stable, permanent families-where children and families have needed supports and can help themselves. When children are at risk and come to the attention of the public agency, the agency can provide services and supports to them and their families to mitigate their problems and prevent them from being removed from their families and communities. When children must come into care, the agency can address children and family needs expeditiously and enable a safe

reunification or, where that is not possible, find an alternative permanent placement expeditiously, while assuring their well-being in the interim. This is a vision where the safety and protection of children is the shared responsibility of all parts of the human service agency and the larger community. It is a vision where the child welfare system has the capacity to improve outcomes for children and families and the Federal Government and states are equal partners in serving all children in all parts of the system.

The child welfare financing system, developed 23 years ago, no longer supports states' efforts to achieve this vision. We need reform and look forward to working with the subcommittee to devise a financing construct that can meet the needs of the most vulnerable children and families we serve.

Thank you for the opportunity to testify. I would be pleased to respond to any questions you may have.

Chairman HERGER. Thank you, Ms. Ryan. Now, Dianne Edwards from my own home State of California, Director of the Sonoma County Human Services Department. Ms. Edwards?

STATEMENT OF DIANNE EDWARDS, DIRECTOR, SONOMA COUNTY HUMAN SERVICES DEPARTMENT, SANTA ROSA, CALIFORNIA, VICE PRESIDENT, NATIONAL ASSOCIATION OF COUNTY HUMAN SERVICES ADMINISTRATORS, AND CHAIR, LEGISLATIVE COMMITTEE, COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA, SACRAMENTO, CALIFORNIA

Ms. EDWARDS. Good afternoon, Mr. Chairman and Members of the Subcommittee. I am honored to be here today to give the local perspective on the Administration's foster care proposal. I am Dianne Edwards, Director of Human Services for Sonoma County. I am also representing the County Welfare Directors Association of California and the National Association of County Human Services Administrators.

California is among 12 States where counties operate foster care with State and Federal oversight. We have experienced increased public scrutiny of our programs in recent years, leading to a multitude of ideas for reinventing the system. One of the most promising ideas is increasing the front-end prevention services for families in order to reduce further involvement with child welfare.

Past efforts to increase prevention have been held back in part by the inflexible child welfare funding structure. States, as you have heard, must evaluate Federal Title IV-E eligibility for every foster child, using outdated rules from the AFDC program. Since these rules have not been updated, the proportion of eligible California children has dropped by more than 4 percent over time and is expected to continue to decline unless this is changed.

For these reasons, counties urge you to eliminate the AFDC lookback and we would welcome the ability to use Title IV-E funds for front-end services. States opting into the Administration's proposal could do both. However, we are concerned about other provisions that would limit our flexibility to administer child welfare.

In particular, the 5-year budget neutrality requirement will make it very difficult, if not impossible, for us to fully realize the benefits of increased flexibility. At a time when the Federal Government is working with States to expand front-end services to families and improve outcomes, we feel it would be detrimental to cap Federal funding for child welfare services. We would like to see

more prevention, treatment, training, and fiscal incentives for States that improve. Emphasizing these aspects of the child welfare system while maintaining the uncapped Title IV–E system as in the legislation that Congressman Cardin has introduced, the Child Protective Services Improvement Act (H.R. 1534), would improve the services available to all families.

We have a number of recommendations to improve the Administration’s proposal and make it more workable for a greater number of States and counties. First, the Federal Government should share in the services provided to all abused and neglected children, not only those from poor families or those who reside in States that choose the flexible funding option. The lookback should be eliminated.

Second, while increased prevention activities should reduce the need for out-of-home care, it could take longer than the Administration’s 5-year time line. Instead of sharing this risk, the proposal would shift it to States and counties. A better option would be to increase flexibility in the use of Title IV–E funding while maintaining the program’s uncapped nature so all States can increase their prevention and early intervention strategies.

While the proposal would allow States to access the TANF contingency fund, the criteria for doing so are relatively narrow. Access to the fund should be more flexible and should be broadened to allow a county or a sub-State region to also receive funding.

Importantly, States must maintain their current level of spending on child welfare programs. The definition of child welfare is of critical importance, and we would be happy to assist in drafting specific maintenance of effort language to ensure that spending remains in the program.

Further, training dollars and automation expenditures should be kept outside of the flexibility proposal. Increased training is key to improving performance on the Federal outcomes of safety, permanence, and well-being.

The statewide child welfare data systems are key to measuring and tracking these improvements. As such, the Federal Government has a stake in the operation and improvement of such systems.

Currently, children who are found eligible for Federal Title IV–E funding are automatically eligible for Medicaid. We understand that States will be given the option to declare all children covered and we strongly support this option.

Finally, given the ramifications of the flexible grant option, States with county-administered child welfare systems should be required to consult with the local statewide organizations before opting in.

Now that you have heard our recommendations, we also have a question. Can States truly opt back out after the 5-year period? It appears that a State would have to redetermine Title IV–E eligibility using the lookback for its entire caseload in order to return to the uncapped funding environment. If so, this would be cost prohibitive. Further, States and counties would have to continue serving the non-federally eligible families using their own funding or scale back their services. Neither option is appealing.

In conclusion, States and counties are working in partnership with the Federal Government to improve outcomes and ensure safety, well-being, and permanence for children and families. Elimination of the AFDC lookback requirement and the ability to use Title IV-E funds for front-end services would enhance the implementation of program improvement plans. Given the fiscal condition of counties, we believe that this is not the time to limit Federal funding for foster care, training, automation, or program operations. The Federal Government should continue to share in the risk of a new prevention-focused strategy as well as the rewards. I thank you again for inviting me to testify and would be happy to answer any questions.

[The prepared statement of Ms. Edwards follows:]

Statement of Dianne Edwards, Director, Sonoma County Human Services Department, Santa Rosa, California, Vice President, National Association of County Human Services Administrators, and Chair, Legislative Committee, County Welfare Directors Association of California, Sacramento, California

Good afternoon, Mr. Chairman and Members of the Subcommittee. I am honored to be here today to give the local-level perspective on the Bush Administration's foster care proposal. I am Dianne Edwards, Director of the Human Services Department in Sonoma County, California. I am a past president of the County Welfare Directors Association of California (CWDA), currently serve as chair of CWDA's Legislative Committee, and am also Vice President of the National Association of County Human Services Administrators (NACHSA).

Each of California's 58 counties operates its own child welfare, foster care, and adoptions programs, with oversight from the state and Federal Governments. We are one of a dozen states where counties operate foster care. In recent years, we have seen a trend toward increased public scrutiny of the child welfare system, not just at the state and federal levels, but also from the courts, the media, and foster children and their families. This increased attention has led to a multitude of ideas for reinventing the system. As you will hear often during your examination of this issue, one of the most promising practices is that of increasing "front-end" prevention services for families in order to reduce their further involvement with child protective services.

Prevention is not a new concept, but the sharpened focus on front-end services is a significant change. Past efforts to increase these services have been hampered by a lack of flexibility in the federal child welfare financing structure. For example, the funding we receive through Title IV-B can be used for a wide range of activities to protect and reunify families, but it is an insufficient allocation that most California counties exhaust in the *first three months* of each fiscal year. We spend the rest of the year scrambling to patch together services using other limited and less flexible funding sources. At the same time, we are required to evaluate federal Title IV-E eligibility for every child who enters foster care, using outdated rules from the Aid to Families with Dependent Children (AFDC) program. Because these rules have not been updated since 1995, the number of eligible California children has dropped by 4 to 5 percent over the past several years. This decline is expected to continue if nothing is changed, with counties covering a greater share of the costs for these children.

For these reasons, counties generally support increased flexibility in the use of Title IV-E funding. That said, we have concerns with provisions of the Administration's proposal that would actually *limit* our flexibility to administer child welfare, rather than increase it. Much of the proposal, especially the elimination of the AFDC look-back requirement and the ability to use Title IV-E funds for some front-end services that are not presently covered, could lead to major improvements in child welfare. But this is not the time to limit federal funding for foster care, staff training, program operations, or automation. In particular, we fear that the budget neutrality requirement will limit our ability to spend more money on prevention activities and staff training over the long-term. This would make it very difficult, if not impossible, for us to reap the benefits of increased flexibility. Without assurances that the funds will grow to support the expanded services, rather than diminish over time, we cannot endorse the proposal.

WHY FLEXIBLE FUNDING IS NEEDED

To give you a sense of magnitude, California will spend more than \$4 billion on its child welfare program next year. While county funding currently represents one-quarter of these expenditures, the counties' share may increase to nearly \$1.5 billion in the coming year. Although \$4 billion is a lot of money, counties would need much more in order to offer up-front prevention to all of the families who could benefit from it. Our child welfare workers already carry caseloads that are twice the recommended levels, making it difficult for them to provide services beyond the basic protections to children and families.¹ Mental health and substance abuse treatment programs are also overextended, making these services unavailable to many families.

For years counties have recognized that federal funding should be available to children in need of protection regardless of their parents' income. The Federal Government should share in the services that we provide to *all* abused and neglected children, not only those from poor families. Enabling counties to use Title IV-E funds in a more flexible manner, as included in the Bush Administration proposal as well as HR 1534, the bill that Congressman Cardin has introduced, would definitely help. If we could use Title IV-E funding to pay for mental health services and substance abuse treatment, we could ensure faster access to needed services. If we could use Title IV-E funding without "looking back" to outdated eligibility rules from a program that no longer exists, we could save administrative costs and direct those funds toward more services for a broader group of families. Congressman Cardin's legislation would also provide new funding for staff training and retention, substance abuse assessment and treatment, and fiscal incentives for states that achieve better outcomes. Emphasizing these aspects of the child welfare system would further improve the services available to families.

CONCERNS WITH FUNDING PROVISIONS

We support the elimination of the AFDC look-back requirement, but this flexibility comes at too high a price in the Administration's proposal. While we agree that increased prevention activities should ultimately reduce the need for out-of-home care, no one knows how fast that reduction will occur. It could very well be longer than the Administration's five-year budget neutrality timeline. This uncertainty, though not uncommon in social services programs, is usually accompanied by some sharing of risk among the federal, state, and county governments. In this case, instead of sharing the risk, the Administration shifts it entirely to the states and counties. If a state front-loads its funding for prevention activities, it might not see a return for eight or ten years, or even more. During the five-year budget-neutrality window, a state could run out of federal money and be left holding the bill for continuing foster care placements.

From counties' perspective, a better option would be to increase flexibility in the use of federal Title IV-E funding and eliminate the unnecessary AFDC look-back requirements, while maintaining the entitlement nature of Title IV-E. This will enable all stakeholders to share in both the risks and the rewards of providing more prevention and intervention services. Restructuring child welfare in partnership is particularly important at a time when most states, including California, are entering into plans with the Federal Government to improve their child welfare outcomes. The expanded services and supports and additional staff training called for in these plans—and, ultimately, the improved outcomes that all of us seek for children and families—cannot be realized unless Title IV-E is made more flexible and is continued as a stable, dependable funding source for states and counties.

While the proposal would allow states to access the \$2 billion Temporary Assistance to Needy Families program contingency fund under certain circumstances, the current proposal would not enable all states to benefit. Access to the contingency fund should be made more flexible and should also be broadened to allow a county or a sub-state region to receive funding. As we understand the current proposal, the criteria that must be met in order to access the fund are relatively narrow, enough so that a state may not be able to receive funding even when it is dire need. Of particular interest to county-run child welfare systems is the idea of allowing a county or region to access the contingency fund even if the state as a whole cannot. For example, caseloads or unemployment rates in one county may increase sharply, while the rest of the state experiences only minor increases.

Another vital issue for counties is the structure of the state maintenance-of-effort requirement. States should be required to maintain their current level of spending on child welfare programs. We believe the way in which "child welfare" is defined

¹ California Department of Social Services (April 2000). *SB 2030 Child Welfare Services Workload Study: Final Report*. Sacramento, California.

will be of critical importance in ensuring that spending remains in the program. We would be happy to assist in drafting the specific language regarding this requirement.

Further, we recommend that training dollars be kept outside of the flexibility proposal and maintained as an uncapped funding source, as in the current system. In California, counties have forged many successful training partnerships with universities and community organizations, using the enhanced 75 percent federal matching rate for training activities to improve the skills of our child welfare staff. Increased training will be a key piece of improving county performance on the federal outcomes of safety, permanence, and well-being. The Federal Government has a stake in ensuring that the changes it hopes to facilitate in state child welfare programs come to pass, and ensuring that funding remains available for this vital function.

Along the same lines, states should not have an incentive to limit the maintenance and operation of their Statewide Automated Child Welfare Information Systems (SACWIS) or to shift funding for these projects to other program areas. We believe that automation funding should not be included in the proposal, in order to ensure continued state commitment to these vital systems. The SACWIS projects ensure more consistent data collection and reporting across the nation, and are a key component of the federal child welfare review system. As such, the Federal Government has a stake in the continued operation and improvement of these systems.

ADOPTION ASSISTANCE PROGRAM

Additionally, while states opting into the program will be able to forego the time-consuming process of determining federal eligibility for children placed into foster care, they will continue to determine eligibility for adoption assistance using the old AFDC look-back rules. While the rules will be changed to enable states to test at one point in time rather than two, this requirement still will reduce the effectiveness of eliminating the look-back requirement for foster care.

GOVERNANCE ISSUES

At this time, it is not clear what steps a state would be required to take in order to opt into the flexible funding proposal. Given the potentially significant ramifications of opting in, a decision-making process that includes program administrators and other stakeholders is advisable. In states that are county-administered, we ask that the state be required to consult with the statewide association of counties on the advisability of opting into the proposal. In states with county-administered child welfare programs, the county association would also have the right to approve or disapprove the state request for the optional grant. State legislatures should also have the right to approve or disapprove the request.

ENSURING MEDICAID ELIGIBILITY

Currently, children who are found eligible for federal Title IV-E funding are automatically eligible for federal Medicaid reimbursement under Title XIX. This categorical link helps to ensure that foster children receive preventative and acute medical care. Understandably, counties are concerned that removing the look-back requirement for federal Title IV-E eligibility could also jeopardize the eligibility of those children to the Medicaid program. From our discussions with representatives of the Administration, we understand that states will be given the option of either declaring all foster children a covered group, or conducting a separate eligibility process for these children. As the cost of allowing states to declare all foster children eligible for Medicaid without a separate eligibility determination process is estimated to be minor, we encourage the committee to preserve this option for states.

CAN STATES TRULY OPT BACK OUT?

While the states opting into the proposal could theoretically opt back out after five years, we are unclear on whether that is truly possible. Would a state have to redetermine Title IV-E eligibility under the old AFDC rules for its entire caseload in order to return to the uncapped funding environment? Would programs operated using flexible Title IV-E dollars be grandfathered in, or would they become state-only programs? Redetermining eligibility would be cost-prohibitive, requiring a significant administrative effort. Further, states and counties would have to decide whether to continue serving non-federally eligible families using their own funding or scale back their programs and services. Neither option would be appealing, even if the national economy has improved by that time.

CONCLUSION

States and counties are working with the Federal Government to improve program outcomes and ensure safety, well-being and permanence for children and their

families. Much of the Administration's proposal, especially the elimination of the AFDC look-back requirement and the ability to use Title IV-E funds for front-end services, would enhance the implementation of these program improvement plans. However, we believe that this is not the time to limit federal funding for foster care, staff training, program operations, or automation. The budget neutrality required under the Bush Administration proposal could very well serve to limit, rather than expand, prevention activities and training. The Federal Government should continue to share in the risks of the new prevention-focused strategy, as well as the rewards.

Thank you very much for this opportunity to testify on the foster care funding proposal. As always, counties stand ready to provide any assistance and support that we can as you consider how to proceed along the path toward greater flexibility.

Chairman HERGER. Thank you very much, Ms. Edwards. Now, Mr. Terry Cross, Executive Director of the National Indian Child Welfare Association in Portland, Oregon. Mr. Cross?

Mr. MCDERMOTT. Mr. Chairman, before you—may I ask a point of information, Mr. Chairman?

Chairman HERGER. Yes.

Mr. MCDERMOTT. All these people are responding as though they have something in hand or they know what is going to be proposed. The only thing I know of is a 6-inch paragraph in the budget proposal. Is that what you are responding to, or have you been presented other information?

Chairman HERGER. Well, that is what we have. That is the purpose of this hearing. That is why we asked the Administration—

Mr. MCDERMOTT. You mean they are responding to this?

Chairman HERGER. We heard witnesses, again, from the Administration—the purpose of this hearing is to try to bring out the thoughts on all sides, and basically, yes, that is what we have done.

Mr. MCDERMOTT. How did they get this information?

Chairman HERGER. Mr. Cross, if you would proceed, please. Thank you.

STATEMENT OF TERRY L. CROSS, EXECUTIVE DIRECTOR, NATIONAL INDIAN CHILD WELFARE ASSOCIATION, PORTLAND, OREGON

Mr. CROSS. Thank you, Mr. Chairman. I am very honored to be here today. This is a historic day for our American Indian children, to be included at the table at the front end of decisionmaking about children's policy, because so often we have been left out of the process and our children get left out of programs, including Title IV-E.

I would like to commend the Administration for this bold inclusion of tribes in this particular language. As several people have said, it is very early. We don't know exactly what it is. In reviewing both the short paragraph in the budget proposal as well as the testimony presented today, we think that the proposal is on a good track when it comes to tribal children.

I also want to thank Congressman Camp for his leadership on this issue and bringing this to the attention of the House in his bill, the Indian and Alaska Native Foster Care and Adoption Services Amendments of 2003 (H.R. 443), which would open direct funding for the entitlement portion of this program to tribes, since tribes don't currently have that.

You might ask why, and, what is the situation? Well, tribes are sovereign nation-states within a nation, and one of the areas that they retain sovereignty over, the power to govern themselves, is around the custody of their children and Congress affirmed that in 1978 in the Indian Child Welfare Act (P.L. 95-608) that set up a mechanism for tribes to be able to exercise their jurisdiction on child welfare issues, have their own tribal courts and tribal codes and child welfare programs.

However, in 1980, when Title IV-E was put into being, tribes were not at the table. We did not get invited to the hearings. So, as a result, we are left out of that funding stream.

We have been working now for many years to open this funding stream to tribal children under the custody of tribal courts. It has been almost an impossible process. We have approximately 5,000 Indian children in foster care across the country for whom nobody is paying any foster care payment. Poor people are taking care of those children out of the kindness of their hearts. There is no training for the workers, there is no money for administration, and there are no funds for record keeping.

This Committee has done a marvelous job in the last several years of addressing issues in child welfare, but none of what you have done has done one thing for children under the custody of tribal courts because none of the protections of safety and well-being or permanency extend to children under the custody of tribal courts. So, while I applaud your efforts with all children, our children are left behind, and I have to tell you that it is time for that to stop.

I had a grandmother come up to me at a meeting 2 weeks ago. She takes care of three children, not her grandchildren, though they call her "Grandmother." She is a foster parent. Her question was, "Do you think it would be possible for me to get some financial help to take care of these kids? I can't meet my housing costs. I can't buy enough food to feed them. Some of the kids have been sexually abused. There is no money for counseling or mental health care." That has to stop.

We estimate that the Navajo Nation alone has 300 children in foster care for whom no one pays a foster care payment. We also know that many, many Indian children would be adopted by their relatives, by their neighbors, by their families' friends, but there is almost no access to adoption assistance. While tribal members can go to State offices and apply, those offices are mostly hundreds of miles away and those services are not available through their tribes. The human cost is high.

The systems costs are also high. We know that over-representation of Indian children in the State system is high. The Children and Family Services Review (CFSR) has shown that 65 percent of the kids in South Dakota are Indian in the foster care system. Only 17 percent of the kids are Indian in the State. If tribes had access to these resources, they would be providing services for those children and those children would be close to their homes and they would be with their relatives.

Adoption does not seem to be addressed in this proposal. We don't see any language, but I may have missed it. There are some issues we are going to have to be very careful about and we want

to make sure that tribes are in this discussion, things like what is the distribution formula? What about match when tribes can't provide match? What about unexpected increases in cost? Say, for instance, that 65 percent of kids in the South Dakota foster care system—tribes take over their own services, those kids go back to the tribes. Representative Johnson raised a very important point earlier today. The dollars should follow the child.

Tribes also need access to the same option that States have, to opt into the entitlement portion of this program, which they currently do not have.

This proposal is consistent with every piece of Federal policy of the Administration and the Congress over the last several years, including "No Child Left Behind," self-determination, community-based, faith-based, permanency, and well-being. I hope you see fit to include Indian children, because you guys can do something about it. Thank you.

[The prepared statement of Mr. Cross follows:]

Statement of Terry L. Cross, Executive Director, National Indian Child Welfare Association, Portland, Oregon

The National Indian Child Welfare Association submits this statement on the Bush Administration's foster care flexible funding proposal. Our statement will focus on the potential benefits for American Indian children and areas needing further clarification. This statement will also show how not having access to Title IV-E funding in the past has hampered the ability of tribal governments to provide basic services that support permanency for their children.

Summary of Recommendations

The National Indian Child Welfare Association is honored to have this opportunity to present our comments and recommendations before the subcommittee. In the past, tribal governments were often not included in the debates that decided how federal funding would flow or how services would be designed, which underscores the importance of this opportunity.

Our general response to the President's flexible funding proposal as it applies to American Indian children is very positive. This includes a \$30 million reserved amount for distribution to eligible tribal governments. For many years now, tribal governments have struggled to piece together funding to provide child welfare services in ways that are as creative and innovative as anything you will see elsewhere. This has not been easy but has demonstrated the strong desire of tribal governments to exercise their sovereignty and right to self-governance.

There are still many details that need to be worked out and clarified, and this is why it is very important for Congress and the Administration to open a dialog with tribal governments on how to develop the best possible funding proposal. The nuances and complexities of making a child welfare program successful for American Indian children, such as integrating requirements under existing federal Indian laws with this proposal, are many, but there are many good minds and people with expertise in these areas that can help.

Our primary recommendations are summarized below:

- Tribal governments should have the same options as states under this proposal, including having access to the existing Title IV-E program. This means amending the Title IV-E law, as in Representative Dave Camp's legislation, H.R. 443, which allows tribal governments to administer the program.
- Tribal government eligibility should be extended to all tribal governments in the United States and also include tribal consortia.
- The distribution of tribal funding from any reserved amount should take into consideration the historic lack of child welfare funding for tribes and provide opportunities in the future to adjust funding based upon factors such as need and inflation. In addition, if enacted, the numbers of tribal governments likely to apply will grow each year for several years. Allowing for the redistribution of any funds not allocated during a fiscal year would be helpful and could be accomplished through the use of supplemental or contingency budgets submitted by eligible tribal governments.

- Maximum flexibility in the use of these funds will be important in addressing the issues that cause American Indian children to become involved in the child welfare system, including cross cutting issues like alcohol and substance abuse that impact all child welfare populations, but have unique origins and dynamics in American Indian communities. We also support the Administration considering providing some limited waiver authority to the Secretary to adjust program requirements for tribal governments that improve outcomes but don't sacrifice health or safety.
- Tribal governments that apply should also be able to determine their service area and who they will serve, similar to what is available in other federal laws (TANF and Title IV-B).
- The ability of tribal governments, who are the poorest of the poor, to provide matching funds is limited in most cases. We recommend waiving any matching fund requirement for tribal governments. If the subcommittee is not amenable to this, we recommend using a strategy that is used in other federal programs that allows tribal governments to use other public funds as match (state and federal) and consider the use of in-kind contributions to meet match requirements.
- Because tribal governments have not received the funding that state governments have, there will be a need for additional technical assistance than what is already available. The technical assistance should be rooted in tribal child welfare realities and will help tribal governments access a knowledge base for program innovation and success.

American Indian Children and Title IV-E

Important to understanding how the Bush Administration's proposal will impact American Indian children is the overall experience with Title IV-E for these children. It is a story of American Indian children left behind.

In 1980 when the Foster Care and Adoption Assistance Act was debated and then enacted into law, Congress did not consider that thousands of American Indian children receive child welfare services through their tribal governments. State governments were the only eligible recipients for Title IV-E funds as written into the law. This oversight created a gap in the program where American Indian children under the jurisdiction of tribal courts could not receive Title IV-E services. These are the same children who are found to be some of the most over represented children in the foster care system and live in communities with some of the greatest needs in the United States. This oversight has essentially made a class of children ineligible for federal entitlement services simply because of where they live in the United States.

In most tribal communities, the inability to access Title IV-E funds has meant additional hardship for tribal governments as they try to develop child welfare services that can move American Indian children towards permanency. Recruiting, training, and maintaining an adequate pool of foster and adoptive homes has been very difficult, with many tribes having to place children in unsubsidized homes because no funding exists. Case management, a critical element of helping children move out of crisis and into a permanent arrangement, is hampered when funding for staff positions and the training of staff is inadequate. Data systems critical to developing information that can inform government officials and policymakers have received a boost from Title IV-E funding, but tribal governments have not shared in this. The overall effect has been to limit progress towards improving permanency for American Indian children.

Addressing this disparity in recent years have been several members of the House and Senate who have signed on to legislation that would amend Title IV-E to make tribal governments eligible to receive these funds directly. We thank the primary House co-sponsor of H.R. 443, Representative Dave Camp, for introducing this important legislation and working to seek its passage.

Some stopgap efforts to piece together foster care funding for tribal governments has occurred in 13 states. Agreements between tribes and states have allowed a small portion of tribes the ability to receive Title IV-E funding for foster care services. These agreements have given about 70 tribes access to foster care funding to support maintenance payments to foster families. However, these agreements are often hard to develop and provide only a small portion of the overall program funding to tribes. Agreements to provide access to the adoption assistance program or reimburse tribes for eligible administrative services are almost non-existent. Tribal governments who want to develop agreements in many other states have not been able to because of state officials who are cautious about administrative or legal concerns. Two studies, one conducted by the Department of Health and Human Services Office of Inspector General in 1994 entitled, "*Opportunities for Administration*

for Children and Families to Improve Child Welfare Services and Protections for Native American Children” and one that Casey Family Programs and the National Indian Child Welfare Association conducted in 2000 entitled, “Tribal/State Title IV-E Agreements: Facilitating Tribal Access to Federal Resources” had similar findings.

The Bureau of Indian Affairs offers some discretionary funding for foster care to a limited number of tribes, but this source does not support program costs and is unavailable to a large number of tribes. It is part of an \$85 million pot of funds termed “Welfare Assistance”, which must also meet the other following needs of tribes nationwide: general assistance, non-medical institutional or custodial care of disabled adults; the Tribal Work Experience program; burial expenses of deceased indigent American Indian people; and emergency assistance to prevent hardship caused by fire, flood, or other acts of nature. To say the least, this is not a reliable source of funds for foster care and adoption assistance. We also point out that the funding from the Bureau of Indian Affairs does not support adoption assistance services. At the Navajo Nation, a recipient of these Bureau funds, the tribal social services program still has to place approximately 300 children a year in unsubsidized foster care. The Navajo families that volunteer their time and homes have very modest incomes and yet are forced to use what little resources they have to support the costs of providing a foster care or adoptive placement. This situation creates an additional risk factor for disrupted placements, beyond what state child welfare programs typically see. As you can see, the funding picture for foster care and adoption assistance services for American Indian children is bleak and does not even begin to meet the overwhelming needs found in most tribal communities.

The Department of Justice reports that violent victimizations were more likely among American Indian children than any other racial group, and that between 1992 and 1995 child abuse and neglect rates increased among American Indians while declining for other groups (1999 National Report Services: Juvenile Justice Bulletin). Many of these Indian children end up in the child welfare system; tribes need the resources of the Title IV-E program to assist these children and their families.

The Administration’s Proposal for Title IV-E Flexible Funding and Application with American Indian Children

Our general response to the Administration’s proposal to provide \$30 million for allocation to eligible tribal governments is supportive in that the proposal recognizes the needs of tribal governments to be included in any new development or reform of federal child welfare programs. We also interpret this element of the Title IV-E proposal as support for the government-to-government relationship that tribal governments have with the Federal Government. It is consistent with the way many DHHS and other federal funds are distributed to tribes—on a government-to-government basis that allows for local design of programs within the confines of federal law. While there are still many details to be ironed out, this appears to be a promising beginning. A number of the tribal governments with whom we have talked regarding this proposal are also very interested and looking forward to having the opportunity to provide their input too.

Our basic understanding of the proposal, at this point, is that it would be an option for states and require a five-year commitment. Funding is also reserved for eligible tribal governments under this proposal—approximately \$30 million—which would be available after an application is submitted to the Department of Health and Human Services and approved, although the process and amounts available for distribution to individual tribal governments have not yet been determined. The process for determining who is an eligible tribal applicant has not been decided either, although conversations with the Children’s Bureau have indicated that they are looking at a number of possibilities. We also understand that individual children will not have to meet a certain income level requirement in order to qualify for services under this proposal. The President’s proposal also mentions providing some waiver authority to modify or waive certain requirements for tribal programs as long as the modifications do not compromise child safety or health. Funding under this proposal will also be available for purposes authorized under Title IV-B or IV-E, which would include subsidized guardianship placements—a good option for some children for whom adoption is not realistic.

Based upon the information we have received so far, we are providing a brief description of what the National Indian Child Welfare sees as the key issues, areas that need clarification, and our ideas on how to address these challenges.

Eligibility for tribal governments—Tribal governments, like state governments, need dependable, adequate funding for child welfare services for children under their jurisdiction. In many situations, lack of funding has been the primary barrier for tribes as they seek to protect their children and give them a greater

sense of permanency. All tribes in the United States operate some form of child welfare service, and a great number of these currently operate foster care and adoption services. Since the President's proposal implies great flexibility in how the funds can be used and tribal communities have the experience and some of the greatest needs, it makes good sense to allow all tribal governments to participate in this proposal. Basic program and reporting requirements required for all applicants will provide the Children's Bureau with an opportunity to evaluate the suitability of this program for each applicant. Furthermore, by increasing tribal participation in this program, the Federal Government will also facilitate the collection of tribal data on foster care and adoption, which is currently not available. By not limiting eligibility to only select groups of tribes, the Administration will be making a strong statement about its commitment to improving child welfare services for all American Indian children.

Tribal consortia—Tribal child welfare services have been provided through consortium in many parts of the United States for over 20 years. Tribes in states like Alaska and California, which comprise over half of all tribal governments in the United States, rely on the option to use consortium to maximize their limited funds. Typically, the consortium designates a lead tribe that becomes the services administrator for Indian children in the identified service area. The organization of tribal consortium in child welfare is a response to several things: 1) the need to improve service coordination, 2) the need to maximize the use of limited funding and improve access to other potential funding sources, and 3) the need to provide tribal governments with insufficient resources the opportunity to exercise their authority and responsibility to protect their children. Allowing tribal consortia to qualify for funding under the President's proposal will help a much greater number of Indian children who otherwise would go unserved, and, we believe, will help make the administration of the program by the Children's Bureau easier.

Distribution of funds—Related to tribal eligibility will be the issue of how available funding is distributed to eligible tribes. Because most tribes have had very limited access to federal child welfare funding, especially foster care and adoption assistance funding, it is almost impossible to know what an accurate baseline of need related to these types of services is. Accurate caseload and program histories, especially related to use of Title IV-E funds, are not available at this time. If the President's proposal is enacted, our experience tells us that tribal governments will apply incrementally, with more applying each year. At the end of five years, we could see even more tribal governments wanting to apply as increased information regarding promising practices and critical analysis of program operations becomes available. These issues underline the need for tribes to have the same options as states to choose between the existing IV-E program and the President's flexible funding option and for a periodic system to review the adequacy of tribal funding under this proposal. This review may trigger the adjustment of the reserved funds for tribal governments, based upon factors such as need and inflation and also be equitable with any mechanism that provides adjustments for state allocations.

An approach to ensuring adequate tribal participation and benefits for American Indian children would be to allow redistribution of any unspent funds in a given fiscal year. This is consistent with how other similar federal funding for tribal governments is distributed (Title IV-B, Subpart 2) and can be accomplished through the use of supplemental or contingency budgets submitted by tribal governments. The Secretary could review supplemental applications and assess them for their merit and feasibility.

Waiver authority—Research regarding tribal child welfare programs demonstrates that culturally defined services are much more likely to succeed with Indian children and families, and this is an area where waivers may be appropriate. Another reason for allowing waiver authority is the economy of scale of applying requirements designed for larger programs that are not feasible for smaller programs. The ability of federal programs to allow flexibility in program requirements is a positive development, and, used wisely, will help reduce the flow of children into the child welfare system and produce better outcomes for those who are involved.

Service area—Under the TANF program and other federal programs, tribes define their service area and the American Indian population being served. This is important because of the differences in available tribal resources, working relationships with state and county governments, and jurisdictional variances. When tribal governments have this option, they will often use it to provide services to more than just members of their tribe. They may provide the services to Indian people from other tribes living within their reservation or service area. This can help alleviate the burden state and county agencies often feel and provide more accessible and/or culturally designed services. New and emerging partnerships can also develop as

tribal and state agencies work to map out a service delivery plan that meets everyone's needs.

Matching funds—Proposing a significant match or maintenance of effort requirement for tribes could become an impediment to tribal participation. The majority of tribal communities continue to be economically disadvantaged. In many cases, their only source of revenue for government services will come from Bureau of Indian Affairs or Indian Health Services funds, which are restricted to specific activities. Because tribal communities often have such high rates of poverty and unemployment, tribal governments have very few options when it comes to raising general, unrestricted revenue. As a result, a number of federal programs have reduced match requirements that apply to tribal governments and/or provide them with the opportunity to use other federal or state funds as match (e.g. TANF, Title IV-B and Child Care Block Grant). This can be done without supplanting tribal funding or significantly reducing maintenance of effort. We strongly recommend flexibility with regard to any required tribal match rates.

We note that, according to the 2000 Census, the poverty rate for the large federal reservations is 40.3%; the unemployment rate for the same set of large reservations is 22.8%. Several reservations have poverty rates of over 50% with unofficial employment rates exceeding 30%.

Technical assistance—While the National Indian Child Welfare Association, through our partnerships with four of the National Resource Centers in Child Welfare, has been able to provide technical assistance to many tribes that are planning for or operating foster care and adoption assistance services, we consistently have to turn away tribal governments who request technical assistance. We can also see an increased demand for technical assistance from tribal governments once this proposal is enacted. To ensure that critical information and assistance is available to further the program's goals, it would be worthwhile to establish technical assistance resources for tribes interested in child welfare services. This could be approached in several ways, but the overall goal would be to improve access to the knowledge base in practice and policy.

Conclusion

We greatly appreciate the opportunity to appear before you today to share our thoughts and ideas regarding the President's proposal for flexible foster care funding. As we said earlier, both our organization and the tribal governments that we have talked with are very interested in this proposal in combination with amending the Title IV-E law to allow tribal governments, like state governments, to administer the current Title IV-E program. I think it is fair to say that all of us are looking to improve the way in which children and families receive services in the child welfare system. We want to avoid the mistakes of the past, take advantage of the opportunities before us now, and create a world where all children can receive the services they need. The National Indian Child Welfare Association feels strongly about this, as we are sure you do, and is hopeful that this will be the Congress that will make this vision a reality.

Chairman HERGER. Thank you very much, Mr. Cross. Now to inquire, the gentleman from Louisiana, Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. Ms. Riley, you talked in your oral presentation generally about how current foster care program rules limit how a State can serve children and families. Would you elaborate on that? What are some of the limitations or restrictions that current law places on the States?

Ms. RILEY. Mr. Chairman, Congressman McCrery, the limit that you have heard a lot about today is that we have to spend Title IV-E funds on placement costs and placement is really only one small part of what a child welfare system ought to be, and in fact, it ought to be a smaller part than what it is.

So, the restriction for that weighs heavily on us. The opportunity to have the flexibility to do something with those dollars that would provide things like family counseling—we are not allowed to provide counseling for families with Title IV-E dollars. We are not providing substance abuse services for families with Title IV-E dol-

lars. All of those types of ancillary services that wrap around the placement of a child are crucial to returning that child home—and not just services for the child but services for the family, as well, so that the child has an opportunity to go back to an intact and functioning family. So, those are all precluded under the current Title IV–E funding stream.

Mr. MCCRERY. Is that one of the reasons that Ohio requested a waiver?

Ms. RILEY. Absolutely. Absolutely.

Mr. MCCRERY. Is it working as you thought it would when you get that flexibility to use that Federal money?

Ms. RILEY. I have to admit that I wasn't there when we applied for that waiver, so I am not certain what people thought it would do. I do know that we had hoped for somewhat better results than we have achieved. Five years has not been long enough. We are just beginning to see a glimmer of change in many of the areas. We do think that that glimmer is sufficient to show us that this flexibility would be vital to that ongoing building of that service. We have learned that 5 years has not been sufficient to really see outcomes and have measurable outcomes that we can project accurately into the future.

Mr. MCCRERY. Well, what types of services were you able to develop with this increased flexibility?

Ms. RILEY. Like California, we are a State supervised, county administered system, so 14 counties did it basically 14 different ways. We had things like subsidized guardianships. We had lots of prevention services, lots of counseling services. We had folks like social workers placed in schools to deal directly at the school with the children who are in the child protection system. So, a real array of services. It also allowed us to be an incredible pot of experiment to be able to tell which of those things work best, and we are just now beginning to get a handle on what happened in one county versus another and how we might learn from where it was successful.

Mr. MCCRERY. Prior to your waiver, you were unable to use the Federal Title IV–E funds for those kinds of services?

Ms. RILEY. That is correct.

Mr. MCCRERY. So, I assume that since you have seen some glimmer, as you put it, there is hope for the favorable outcomes that you had gone for with these kinds of services. Do you think that there is some merit to expanding the waiver in your State to all States across the nation?

Ms. RILEY. Mr. McCrery, I think it would be very helpful to be able to expand it from 14 counties to 88 in Ohio and across the country.

Mr. MCCRERY. Last, you say in your testimony that, "I believe that the current Title IV–E funding system rewards failure rather than success." Would you elaborate?

Ms. RILEY. Mr. McCrery, right now, we are receiving funding for children that are in placement rather than funding that rewards the goals of the Adoption and Safe Families Act, which encourage States to keep children at home, to quickly reunify children. Instead, we get money—the longer the child stays, the more money we get. We want it to be the opposite, and in our waiver counties,

that is exactly what we have been able to do. They bank their dollars that they did not spend on placement and can spend them on those alternative services.

Mr. MCCRERY. Thank you. Thank you, Mr. Chairman.

Chairman HERGER. Thank you, Mr. McCrery. Ms. Riley, I want to thank you also for the great work that we hear coming out of your State. Thank you very much for the example I believe you are setting and that we can all, hopefully, learn from and help improve the system throughout the nation. With that, the gentleman from Maryland, Mr. Cardin, to inquire.

Mr. CARDIN. Thank you very much, Mr. Chairman. I think we all agree that we need to reform the Title IV–E system, so that is not a matter that is in disagreement. In fact, as you noticed, on the Democratic side, we filed legislation to do just that.

I was disappointed we didn't have a second round because I thought we were trying to come to a conclusion on the lookback with the Administration. One of my concerns is that we all agree the lookback is not a good idea, to go back to the AFDC rules. Yet, if I understand the Administration's proposal, we still have the lookback for adoption services assistance, because that is not dealt with in the legislation. If I had a chance on a second round, I would have tried to clarify that.

So, I think that we are still going to need to reform the basic system, and I think we all agree with that, and particularly with giving States a true option. We want to make sure that the current system is reformed to give the States the flexibility they need and still protect our national goals.

Ms. Edwards, in your testimony, you—the CBO baseline assumes a 25-percent reduction in the Title IV–E caseload assumptions over the next 10 years, as to how they get to the dollars that are available. So, I guess my concern is that in your State, if you were to go into the option, if you would go into the block grant and you were not able to achieve the caseload reductions, in fact, if you had a caseload increase, is it possible that where we are trying to get more funds in preventive services, and we all agree with that, that ultimately you might have to take money out of preventive services in order to finance your basic caseload increases? Is that a real risk?

Ms. EDWARDS. Mr. Cardin, Mr. Chairman, obviously, that is a risk and one that is greatly concerning to us. If, indeed, our State opted in and we invested more money up front and the caseload increased, then we would have no other option. I would point out, too, that already, there are many children in the system for whom we cannot use Title IV–E funding because of the lookback. We still are responsible for those children. So, it would only add to the burden and that burden ultimately falls at the local level.

In California, counties pay about one-quarter of the costs of the foster care system, and that is roughly \$1 billion. I don't think it comes as any surprise to you that not only counties in California, but across the nation, are having financial difficulties meeting all of the needs for services in their communities.

Mr. CARDIN. I appreciate that answer. Ms. Ryan, I also appreciate your testimony where you try to be kind to the Administration's proposal and then you add a lot of caveats that you would

like to see improved on, and I like all your caveats. States should be allowed to opt out of the block grant, Mrs. Johnson already covered that. The triggers for the contingency funds should be improved. The State maintenance of efforts are limited. This plan should be accompanied by an increase in the SSBG. All States should be allowed to update their eligibility standards for foster care regardless of whether they opt into the block grant. All States should be provided more flexibility for preventive services. I agree with all of those assessments.

I guess my question to you is, that is fine, but as I understand the Administration's proposal, they want it budget neutral. It seems to me that your recommendation, your suggestions—and I support them—require that we provide additional help in order to be able to achieve the flexibility and the results that we want.

Ms. RYAN. Mr. Cardin and Mr. Chairman, I would have to respond that—and really to a question I think Congressman McDermott asked—we have been in a series of conversations with the Administration. We haven't seen the actual details of the proposal. We hope that there is an opportunity to talk about the baseline, what is in the baseline, what might be the rate of growth in the baseline. National rates of growth are quite different than State rates of growth. Congresswoman Johnson talked about the fact that States are not similarly situated. We have rising costs of care that have nothing to do with inflation or the number of children, so-called children, who have been in the system with multiple issues that are actually more costly. So, yes, we believe that under the Administration's proposal, we need to have that discussion about baseline growth.

Mr. CARDIN. Thank you. I appreciate that response. Ms. Riley, you present to us a real opportunity because you already have something similar to what the Administration is proposing in a certain number of your counties. So, I would like you to make available to our Committee, unless you have the information today—some of the problems you are encountering. We know we have high caseloads, caseworker turnover is very heavy, and we don't have experienced caseworkers. I would like to know if there has been a difference in those counties in which you have had the waiver program in effect. I would like to know the caseload reductions, the comparisons, et cetera. I assume that in those counties, you feel you have adequate resources. If that is not the case, I would like to know that, also.

So, if you could make available for the Committee the specific information over the last several years of what has happened as far as caseworker longevity, reduction of caseload, eligible individuals, and whether you have adequate funding in order to deal with these problems, I would appreciate it.

Ms. RILEY. Mr. Chairman, Mr. Cardin, we would be happy to do that. Anecdotally, I can tell you that it has been positive in some counties and less so than in others, but we will be happy to provide that county by county and try to tie it back to some of the things they did that engendered those outcomes.

[The information is being retained in the Committee files.]

Mr. CARDIN. I appreciate that. Thank you.

Chairman HERGER. I thank the gentleman from Maryland. Just a couple of points. Number one is that in the next 15 minutes or so, we are expected to have a series of three or four votes. Second, any questions that any Members of this Committee have for any of our panelists, including Dr. Horn, can be submitted in writing and we will include that in the record.

Also, it is my understanding one of the reasons why the Administration does not have this writing is that this policy is evolving now. I understand, Ms. Ryan, that they are in contact with you, and again, one of the purposes of this Committee is to get the information out and hopefully to come up with the very best policy that we can. Certainly, that is the intent of this Committee.

With that, I would like to, Ms. Ryan, ask you the same question I posed to Dr. Horn. With the recent CRS memo that shows how Federal foster care funding can swing wildly within State from year to year, would you care to share how you feel this proposal can help provide States more predictability over the funding they currently receive, and what that can mean to States?

Ms. RYAN. Thank you, Mr. Chairman. I think that what the CBO data may be showing is that, frankly, there are wide variances among States in terms of the number of children cared for, the cost of care, and the so-called penetration rate in terms of Title IV-E claiming. A lot of things can drive that caseload.

One thing that we have seen, is that in some States in recent years, they have actually increased their Title IV-E claims. The State of Washington, for example, has. West Virginia has. In other places, States have seen a dramatic reduction in those claims.

I think under this foster care reduction, or this proposal, what it would do is enable States to be able to know the fixed amount of money that they have, be able to set some reasonable targets as to whether or not they believe that they can operate from year to year with some certainty of how many resources that they have available to them. Quite frankly, for some States, they may be able to achieve what Ohio has achieved, which is a reduced length of stay in foster care or reduced number of children to free up those dollars to be able to use them for more preventive front-end services. In other States, they may not be so successful, and that may actually influence whether they decide to opt in.

Just to close with this and say that sometimes within the course, given the wide variation of those claiming rates, sometimes during the course, like the crack epidemic or the methamphetamines on the West Coast, there are things beyond the control of a particular system where, for whatever reason, we believe States should be able to opt out within the 5-year period because the protection of children are paramount in this program.

Chairman HERGER. Thank you, Ms. Ryan. Ms. Riley, would you mind commenting on the same question?

Ms. RILEY. I smiled while you asked that question, because although I think it would give us greater predictability and I would welcome that predictability, I worry a little about where my swing is whenever the baseline is established, because if that base happens to hit one of my down years, it could very negatively reflect on my next 5 years' worth of revenue flow. So, that causes me concern. The predictability would be welcome.

Chairman HERGER. Thank you very much. With that, the gentleman from Washington, Mr. McDermott, to inquire.

Mr. MCDERMOTT. Thank you, Mr. Chairman. I was trying to ask earlier, what do you think this system is going to do? What kind of specificity did you have when you prepared your testimony coming here, because some of you say you are in favor of this? You just want to have flexibility? Is that enough of an offer from the Federal Government?

Ms. RILEY. Mr. McDermott, speaking from Ohio's point of view, flexibility is not enough, but it is a big incentive. I also raised in my testimony a number of issues we would like to see addressed, some of which we have had some answers to, some—or not answers, but we have had some information around and some we have not. So, I think there are still many things undetermined. Our source of information was primarily APHSA and some conference calls that they have convened and their willingness to share from their perspective.

Ms. RYAN. I would be happy to respond to that question, as well. After the President's proposal was put in the budget, we actually reached out to our States, quite frankly thrilled that someone was paying attention to child welfare financing at that level, and asked them to convene a workgroup. We invited the Administration, Dr. Horn, as well as Joe Knoll and Susan Orr, to actually talk to our members about what they had in mind. We had nothing written. In fact, I think in some ways those are things that I have actually prepared as a series of conversations that are continual conversations.

So, we don't have any formal proposal. We have a broad rubric, and we have been engaged in discussions about what makes sense in terms of opt in, opt out, claims filed versus claims paid, and other kind of arcane issues.

Mr. MCDERMOTT. Are you saying that you like this new proposal with the thought in mind that you will have the same amount of money or less money or more money?

Ms. RYAN. I think that at this point, our association does not have a formal position on the proposal because we haven't seen it, and when legislation is introduced, we will put it before our Membership, understand the details, and determine whether or not this, quite frankly, fits the needs of the States. So, we have not taken a position to date.

What we do believe is that some of the fundamental pieces of it are well worth the time to explore. The flexibility to use those funds on all children in the system is very attractive to States, and I will defer to the professionals at the table.

The second piece, the fact that you can use those dollars for things that actually make sense for families, is also very, very attractive. There is some peril among some administrators in some States saying, we are not sure we can take the risk to enter a fixed allotment of funds and be able to produce the kind of changes needed to free up those dollars to do those good things.

So, I think at this point, we have taken this as an idea, something that we want to work with the Administration to try to refine. If it is a State option, we want to make it the best option. If there are States that cannot opt into this for whatever reason, we

want to continue to pursue things like fixing the lookback, making sure Title IV-E is much more flexible so that they can actually support the goals of the program.

Mr. MCDERMOTT. What is it that States do that make it not possible for them to opt into the program? What have they done wrong? Give me an example of a State that hasn't been able to opt in because of something they have done. Is it a law they have or—

Ms. RYAN. I think at this point, because we don't really know what would be involved in the opt in—for example, the baseline determination, what the rate of growth might be over time. Those could give pause to States. Some States have actually achieved shorter length of stay in foster care for children. They might not see enough promise in this to lock in at a fixed amount of money, thinking that they have done as well as they could do.

Some other States, like the State of Washington, quite frankly, have increased Title IV-E claims in recent years, and so if they have expectation that they might be able to find more children who are Title IV-E eligible to be able to get increased Federal reimbursement, they are going to be unlikely to look back a year when their claims weren't as high and then lock in at that point.

So, as I tried to put out in my testimony, States are in very different places, and as you well know, child welfare financing is a system in crisis serving children and families in crisis, and we have the gall to expect outcomes and measure them. We have got half of the children covered with any Federal dollars. We are patching together SSBG dollars, a little bit of Medicaid, some TANF, some court costs, some local costs, some State costs, and then actually say it is a system.

I think that the issue before us is whether or not we can create some context for this next round of reform so that we actually can get the hydraulics right, that we have the funding stream flexible enough to serve families and children and that it is adequate in order to meet the outcomes that these Child and Family Service Reviews ask States to achieve. So, we want to have a very thoughtful and planned full discussion on this next round of reform.

Mr. MCDERMOTT. I assure you, I hope we have another hearing when we have a bill.

Ms. RYAN. Thank you.

Chairman HERGER. I thank the gentleman. Mr. Cross, the Administration proposal would provide \$30 million for tribes to operate child welfare programs. What types of programs and services do you feel the tribes would provide under this option?

Mr. CROSS. Foster care, primarily, because right now, that is where the need is. We don't have enough detail to judge. One of the things that scares me about this, while I believe it is on a good track, is that we have no baseline by which to measure because so many tribal children are in foster care without any payment or because they are in the custody of States, and tribes would do those services if they had that money.

I believe we are going to have to be very cautious and flexible with how we create the baseline for tribes and that is going to have to take shape over a period of years. I hope any legislative lan-

guage allows for some realistic picture of how many children this is really going to mean.

Tribal programs right now across the country are providing a range of child welfare services, but they are piecing together those services with a variety of funding sources. Some contract with the States around them. Some are using their own tribal resources. They receive very small amounts from IV-B part 1. Most of those grants are under a couple thousand dollars. Seventy tribes in the country, approximately, are receiving IV-B part 2. The majority of them receive less than \$20,000 each. Tribes receive about \$20,000 each from the Indian Child Welfare Act Title II appropriation.

So, tribes are piecing all of these different funding sources together, and then are able to hire one or two caseworkers who are handling everything and then not having enough resources to pay a foster care payment.

So, this would be the most dramatic thing to happen for Indian children since the passage of the Indian Child Welfare Act. I can't emphasize enough that when a people have the authority and responsibility to protect and care for their children and then there are no resources to do that, we are leaving children behind simply because of their residence and citizenship in the nations of our Indian Tribes in this country. It is as if you cut off the upper peninsula of Michigan or something and said, you are just not eligible for an entitlement or in the program.

So, I am here because whatever happens, tribes need a voice. I can't say that this is a good thing. We don't know because we don't have language yet to indicate what the real impact of this would be across the board. We can only say that it seems that these concepts are on a good track. This is a good conversation to have. For the tribal provisions, I am feeling that this is very promising. It is the first time that this kind of dialog has gone forward within the Administration.

Chairman HERGER. Thank you, Mr. Cross. The gentleman from California, Mr. Stark, to inquire.

Mr. STARK. Thank you, Mr. Chairman. I want to thank the witnesses, and I want to address this problem. We don't know, and the Chair doesn't seem disposed to let the Administration tell us very much about what this plan will look like. Basically, all we know is they want to block grant the funds, and this thing will not increase them if the caseload goes up.

We do know that the same Administration for children and families has given us some dire predictions. Now, in Connecticut, HHS has told us that the caseworkers have failed to maintain stability of foster care placement and that reducing the staff would have—a reduced staff will have more difficulties ensuring stability for foster children.

In Indiana, 70 kids died from abuse and neglect in the year July 2001 to July 2002, a new State record. HHS found that the cause was that the State child protection agencies failed to sufficiently reduce incidences of repeated mistreatment and warned that State budgets will further impact the limited ability to track these incidences. Now, there are dozens of comments. All these studies are bad. So, we are hearing from the same people who are suggesting we limit the funding.

Ms. Riley's State, I gather, operates under what would be the way you would operate if you had the block grant, is that not correct?

Ms. RILEY. Mr. Stark, 14 of our 88 counties operate under something that we think—

Mr. STARK. Well, but when you answered Mr. Cardin—because the Children's Bureau found that Ohio's welfare program did not achieve substantial conformity with any of the seven safety, permanency, or well-being outcomes. In addition, Ohio did not meet national standards for measures relating to repeat maltreatment, maltreatment of children in foster care, foster care reentry, stability of foster care placements, length of time to achieve reunification, or the length of time to achieve adoption. There are a few things that you did right, but it doesn't have much to do in here.

It goes on, caseworkers didn't visit parents with sufficient frequency. Your case reviews found that children did not receive adequate services to meet their physical and mental health needs. You are going to tell me that you can improve that with less money?

Now, I would like to know if those figures didn't apply to these 14 counties where you are using this system. That would be very good to know. I will bet you they are just in there with the rest of the counties, aren't they?

Ms. RILEY. Mr. Stark, the figures you are referencing refer to the Child and Family Service Review—

Mr. STARK. Yes.

Ms. RILEY. Which we, like every other State that has gone through it—

Mr. STARK. Every State in the Union got—

Ms. RILEY. Has not done well.

Mr. STARK. It is not well in any State. I don't know how we did in California. We probably didn't do much better.

Ms. EDWARDS. Mr. Stark, California did not pass the reviews, either.

Mr. STARK. Yes. I am not suggesting—every State didn't. What I am saying is that block granting it didn't seem to help much.

Ms. RILEY. Mr. Stark, really, the Child and Family Service Review—I have to admit, I am not certain I can encompass all of this in a very short time, but the Child and Family Service Review has, I think, a lot of other deficiencies attached to it, and—

Mr. STARK. Well, you just heard the guy. He has a lot of deficiencies, too, the guy who is running this system. We are not here to talk about the deficiencies in our Administration. What we are trying to say is, is it suddenly a solution to underpaid, underfunded, overworked social workers in States to say, we are going to give you a block grant and let you move the chairs around on the Titanic as it sinks? Is that what you guys want?

Ms. RILEY. Mr. Stark, that is not a solution. That, however, may contribute to a solution, and I am hopeful for that.

Mr. STARK. Will it help us in California, Ms. Edwards?

Ms. EDWARDS. No, I am afraid it will not. We need the flexibility. We need to eliminate the lookback. I am gravely concerned when I know that in California, we have a study that shows we need \$280 million more to adequately staff child welfare as it exists today.

Mr. STARK. Ms. Ryan, your association—can we do this without adding any resources?

Ms. RYAN. I think I have testified, Mr. Stark, that the fact is that the system needs more resources. So, it wouldn't be my testimony that we would plan shrinkage and think that we could do a better job.

Having said that, I have to say that, on all of our members' behalf, the Child and Family Service Review is a snapshot. It is a baseline. It is the first time we have actually taken a look. So, it ought not to be perceived as a measure of whether or not States are actually achieving outcomes.

I think it is very important, though, to your point, to look at those measures and to ask whether or not Title IV-E funds can be used to meet any of those improved outcomes. That is why we called for improved flexibility—

Mr. STARK. What if we just made them an entitlement for matching funds? Wouldn't that be better?

Ms. RYAN. We testified to broaden the use of Title IV-E funding and we would have a better chance at moving those—

Mr. STARK. Would you like that better, Ms. Riley, just to make it an entitlement and let Ohio match it?

Chairman HERGER. The gentleman's time has expired.

Mr. STARK. I want to hear that answer, Mr. Chairman. It might change your mind.

Ms. RILEY. Mr. Stark, I would love an entitlement.

Mr. STARK. A little information wouldn't hurt you, Mr. Chairman.

Chairman HERGER. We have gone—

Mr. STARK. Once you get used to learning things, even as Republicans, it helps.

Chairman HERGER. We have gone 1 minute and 6 seconds over your time. Would the gentlemen from Michigan, Mr. Levin, like to inquire?

Mr. LEVIN. Mr. Chairman, my apologies. Due to other meetings, I just had to miss most of this, but I guess I came in at an important moment for the discussion of the issue. We have a number of votes now.

I don't think the issue is more flexibility. I think we want to grant enough flexibility so that you can do your job. That is a different question than a block grant. Mr. Stark asked you whether you want more flexibility without more resources. Do you?

Ms. RILEY. Mr. Levin, no.

Mr. LEVIN. I would think that that may be an important message for everybody to hear. I have been on this Subcommittee off and on for how many years, 14 or 15? This has been a major problem area, and anybody who thinks that the answer is simply to shift this off to the States with the present level of resources, when we got into this issue in part because the States were not doing a job—if the States had been pulling their weight on these issues, I don't think we ever would have been involved in this difficult and important area.

So, now simply to say, ship it back to the States with the States in the present circumstances they are in—right? What is the budget deficit in your State?

Ms. RILEY. Mr. Levin, I fear to say which year?

Mr. LEVIN. You pick.

Ms. RILEY. We are anticipating, I believe, another \$1 billion shortfall after several billion dollar cuts in the upcoming biennial.

Mr. LEVIN. I don't have anything further.

Mr. STARK. How about in California?

Mr. LEVIN. I didn't want to embarrass you.

[Laughter.]

Ms. EDWARDS. I can top that, Mr. Levin.

Mr. LEVIN. It was \$30 billion, wasn't it?

Ms. EDWARDS. The last count was, I think, \$36 billion.

Mr. LEVIN. So, resources are an issue?

Ms. EDWARDS. Absolutely.

Mr. LEVIN. Thank you.

Chairman HERGER. Ms. Riley, you say in your testimony, "I believe that the current Title IV-E funding system rewards failure rather than success." Do you believe this option could give you the flexibility necessary to address this issue in your foster care system that needs to be addressed?

Ms. RILEY. Chairman Herger, that is the linchpin for why I want to at least further explore the option, because right now, I believe that we are rewarding excessive, potentially excessive placements of children because we fund placements, while we are not funding child abuse prevention, we are not funding family case-work services, we are not funding substance abuse services, all of which would help our families immensely.

Chairman HERGER. Ms. Riley, I want to thank you very much, and I want to thank each of the members of our panel and our previous panel for testifying today. Your testimony will be very helpful to us as we consider options to improve our foster care system.

With that, the hearing stands adjourned.

[Whereupon, at 3:59 p.m., the hearing adjourned.]

[Questions submitted from Chairman Herger and Mr. Cardin to the Honorable Wade F. Horn, and his responses follow:]

Question from Chairman Wally Herger to the Honorable Wade F. Horn

Question: Under the existing child welfare waiver authority, four states—Indiana, North Carolina, Ohio and Oregon—have demonstrated some of the promise of the Administration's Foster Care Flexible Funding proposal. Could you describe these programs and what they have been able to accomplish?

Answer: In each of these four child welfare waiver demonstration sites, the State is providing counties or other local entities the opportunity to use Title IV-E foster care funds more flexibly to enhance the array of services available to prevent foster care placement, facilitate reunification and otherwise ensure safe, permanent outcomes for children. In these States, counties may use Title IV-E funds for an array of services, but their total Title IV-E allotment is fixed by agreement with the State. These States have arrangements with participating counties to share risks and rewards if expenses are either below or above their planned Title IV-E allotment.

- Indiana has set aside 4,000 slots and is allowing counties to use up to \$9,000 annually per slot to develop an increased capacity for home- or community-based alternatives to institutional placements. All counties pay any costs for foster care or related administrative expenses that exceed \$9,000. Eligible children are those who are at risk of placement, or have already been placed, and who have substantiated reports of abuse/neglect. Services most frequently paid for with Title IV-E funds have been child and family counseling, parenting and

homemaker skills. Job-related services, legal assistance and other services also are available.

- In North Carolina, 19 counties receive a capped amount of Title IV–E funds that may be used flexibly to meet the needs of children and families in the child welfare system. If a county’s expenses are in excess of their Title IV–E allotment, the State and county will share the excess costs. Eligible children are those who are at imminent risk of placement or are already in placement. Counties use their funds in a variety of ways. Thirteen counties use funds to meet needs on a case-by-case basis. Other counties developed new services in-house or entered into contracts with providers for such services as family support, assessment, adoption, substance abuse and mental health treatment and family reunification.
- In Ohio, 14 counties are experimenting with a diverse array of managed care strategies. The State provides the participating counties with a capped amount of funds. Each county has developed its own managed care strategy for managing expenditures within the allotment. Some of the strategies employed by counties include establishing capitated or case rate contracts with private providers; developing utilization review strategies including pre-placement and period review processes; increasing incentives to enhance foster care provider networks; and establishing quality assurance procedures.
- In Oregon, the State requested plans from interested branch offices to spend a portion of their foster care budgets more flexibly than typically allowed. Plans addressed three types of services: foster care prevention, expansion of established services, and “innovative” service plans for the development and implementation of new services. The State approved plans and negotiated agreements with the branch offices. If the branch office spends less of its flexible funds than budgeted, the difference is “banked” and available for future local waiver proposals. If additional foster care funds are needed, the State makes up the difference with realized savings through the first quarter after the shortfall occurred. Key service strategies employed by Oregon’s counties have included Family Decision Meetings, Enhanced Visitation, and facilitation of drug and alcohol treatment.

Two of the States, North Carolina and Oregon, have now submitted final evaluations reporting on outcomes for children based on their first 5 years of implementation of these demonstrations.

- In North Carolina, researchers found that while the probability of foster care placement following a substantiated report of abuse or neglect declined in both the demonstration counties and the comparison counties over the 5 years of the demonstration, the decline in out-of-home placement was more dramatic in the 19 demonstration counties with access to flexible funding under the waiver than in the comparison counties.
- Similarly, Oregon’s final evaluation report found that in the localities in which the child welfare agency had access to flexible funds through the Title IV–E waiver and/or through a State-funded System of Care initiative, children were more likely to remain in their own homes. Children in the localities with access to both waiver and System of Care funds were over three times as likely to remain at home as children in localities that did not have access to either source of flexible funding.

Questions from Representative Benjamin L. Cardin to the Honorable Wade F. Horn

Question: In your testimony, you suggest that under the Administration’s plan, States “could receive up front funding” to make investments in family related services that may reduce future foster care placements. However, the Administration’s estimates (from OMB) suggest that the plan would increase child welfare spending by only \$119 million over the next two years (while reducing expenditures correspondingly in later years). Do you believe \$119 million is going to make a huge difference to a foster care system that will spend \$10 billion over the same time period?

Answer: The Child Welfare Program Option allows States to receive up front funding and to save funds immediately from reduced administrative burdens. States claimed approximately \$68 million of these administrative costs in FY 2001. Although some activities that are linked to eligibility requirements will continue

under the proposal, we expect significant savings in this area. Another area where we expect savings is in the area of cost allocation, as this process will be significantly streamlined.

We believe that this initial influx of funding in addition to the longer-term savings generated from innovative programs that reduce foster care caseloads will allow States to fund new and improved services and maintain their responsibility for children in foster care. This proposal is an opportunity for States to use Federal funds to improve the way they plan, organize, and invest in their child welfare system.

Additionally, the President's FY 2004 budget requests full funding of Promoting Safe and Stable Families, which will provide States with an additional \$1 billion influx of funding for their child welfare systems over 5 years. States may use that influx in the same flexible manner they may use Program Option funds.

We believe that the flexibility afforded states through the Program Option coupled with the additional funding in Promoting Safe and Stable Families will have a significant impact in improving state child welfare systems.

Question: You stated that the Administration's foster care plan is designed to be cost-neutral over 5 years. Does the Administration have a position on other proposals that may provide net new resources to the child welfare system (beyond seeking full funding for the current Promoting Safe and Stable Families Program)? For example, is the Administration willing to consider providing additional resources to the child welfare system to implement program improvement plans, address substance abuse problems, and improve the retention of qualified caseworkers?

Answer: We developed the Child Welfare Program Option using the following principles: 1) provide maximum flexibility to States; 2) maintain child safety, permanency and well-being outcomes and 3) retain cost neutrality. Any child welfare reforms that we consider must comport with those principles.

The Option allows each State that chooses it to direct its funding in the manner that best serves the population, including, but not limited to implementing program improvement plans, addressing substance abuse problems and improving the retention of qualified caseworkers. Having said that, we are, of course, willing to discuss issues and other proposals with members.

As with the Safe and Stable Families Program, the Administration is requesting full funding (\$60 million) for the Independent Living Education and Training Vouchers program for FY 2004, the same as the FY 2003 request. The program was funded at \$42 million less a rescission of .65 percent in FY 2003. These vouchers provide youth an additional resource to prepare for adult living, increasing the prospect that they will be able to secure work and become contributing members of society. Full funding would allow us to continue supporting State efforts to meet the needs of this highly vulnerable population.

I would also like to take this opportunity to note that the President's FY 2004 budget for SAMHSA provides a new \$200 million State voucher program for substance abuse treatment.

Question: Your testimony highlighted the growing inequality of the current eligibility standard for Federal foster care assistance. Under this so-called "look back" provision, States must verify that a foster child's birth family was eligible for welfare under the rules in place in 1996 (which are not indexed for inflation). You suggested that States selecting the proposed option foster care block grant would not have to go through this look-back process. Does the Administration also support addressing this problem for states [sic] decide not to opt into the Administration's proposal. [sic] In other words, would you support updating eligibility standards for Federal foster care payments in States that do not believe the proposed block grant is a good deal? The Administration's plan does not address the look-back problem for determining adoption assistance payments, regardless of whether a States opts into the proposed block grant. Does the Administration support updating eligibility standards for Federal adoption assistance payments?

Answer: The Administration developed the Child Welfare Program Option in a cost-neutral environment. With respect to both of your questions, we are unfamiliar with any proposals that address the look-back date for both the foster care and adoption assistance programs that are cost-neutral. However, we are willing to review and discuss any proposals that do so.

I would point out that spending under the Title IV-E adoption assistance program continues to grow at a rate of 10 percent per year and thus we are maintaining the entitlement to adoption in order to ensure that all children can grow up in a loving and permanent home. However, under our proposal, any State that chooses the child welfare program option would only be required to test for AFDC eligibility

once at the time that termination of parental rights proceedings are initiated rather than determining eligibility at two points in time (at the point of removal from the home and when the State files the adoption petition), as is currently required.

Question: Between 1987 and 1992, the number of children in foster care increased by 42%, going up from 300,000 to 427,000. A significant factor in this increase was the emergence of crack cocaine and the devastating impact it had on families. If a similar trend occurs in the future for whatever reasons, what would happen under the Administration's proposal? Do you think a capped contingency fund designed to help state [sic] welfare programs during economic downturns can truly respond to such a dramatic change in the number of at-risk children?

Answer: The Child Welfare Program Option allows each State to re-direct dollars as necessary so that the State quickly may address unexpected changes, trends and circumstances within the State before such circumstances become overwhelming. If a State is not able to do so, and it meets all other criteria, the contingency fund is available to provide relief.

The TANF contingency fund is currently authorized at a level of \$2 billion. No State has drawn down these funds even during an economic downturn and we anticipate that few States will need the funds for the TANF program in the future. Further it should be noted that the triggers for the contingency fund under the Child Welfare Program Option have been modified to appropriately address the child welfare environment. Under the Option, States may request additional funding from the TANF contingency fund when the State's foster care population increases by at least 15 percent over the course of two fiscal years and either the foster care population increases by at least 10 percent nationally over the course of two years, or the unemployment trigger for the TANF Contingency Fund is met.

Question: Children currently eligible for federal foster care payments are categorically eligible for Medicaid. If a State no longer calculates eligibility for these payments under the proposed block grant, how are we going to guarantee continued Medicaid coverage for these kids? You mentioned the Administration's plan would allow States to make all children in foster care categorically eligible for Medicaid if they opted into the block grant. Can you outline how that would work? Does OMB consider such a reform to be cost-neutral?

Answer: Our child welfare proposal does not impact Medicaid eligibility. Children that are currently eligible will continue to be eligible. The vast majority of children in foster care are either currently entitled to Medicaid under the existing Title IV-E foster care maintenance payments program or would otherwise qualify for the program. With the exception of the children who have significant income and resources of their own, all children who have been removed from their parents' home and receive services under the program option would be eligible for Medicaid under an eligibility group that covers all children with incomes at or below the Federal poverty line.

Question: The Administration's plan requires a projected baseline under current law of foster care spending over five years in every state [sic] opting into the block grant (to devise funding levels). Do such baselines exist today? Are their [sic] any other programs that you are aware of that depend on state-by-state [sic] baselines of projected future spending? How would you ensure that all of these state [sic] baselines add up to a budget-neutral National baseline? What role would OMB play in constructing these state [sic] baselines and ensuring budget neutrality?

Answer: The Administration does not currently project State-by-State baselines for the Foster Care program, or for any other relevant Department of Health and Human Services ("HHS") programs. We plan to work with States, the Congress and other interested organizations such as the American Public Human Services Association to develop a methodology for determining State-by-State allocations that would function within the national baseline. Similarly, the Office of Management and Budget ("OMB") will be involved in these discussions, as both OMB and HHS have strong interests in maintaining cost-neutrality, which the President requires for this proposal.

[Submissions for the record follow:]

**Statement of the Honorable Anibal Acevedo-Vilá, a Representative in
Congress from the Commonwealth of Puerto Rico**

I commend the Chairman and the committee for focusing their attention on the critical problem of protecting and providing for our nation's abused and neglected children. I am confident that this marks the beginning of a dialogue on this urgent national problem, one that I expect will culminate in action by this Congress to strengthen our nation's response to child abuse and neglect. I agree that providing more flexibility under the IV-E program is an important step in this direction, and like many of the states, Puerto Rico would be very interested in investigating the option of the allotment, given an appropriate baseline. We agree that it is of vital importance that federal funding support more services, including preventive services, for these families and children.

I also want to take this opportunity to bring to the committee's attention the specific difficulties the Commonwealth of Puerto Rico is facing with the IV-E program regarding the federal support available to assist us in ensuring the safety and well being of our most vulnerable boys and girls.

Sadly, as is the case on the Mainland, child abuse and neglect are very serious and urgent problems in Puerto Rico. The twin evils of poverty and substance abuse have combined to conspire against our children and have placed too many of them at risk for abuse and neglect. In 2002, the Commonwealth received around 30,000 complaints of abuse and neglect and approximately 10,000 children went through our foster care system.

When Governor Sila Calderón was sworn into office two and a half years ago, she encountered a child welfare system that was in complete disarray. There was a backlog of over 4,000 complaints that were waiting to be assigned; the investigations themselves took 2-3 months to complete, and social workers were overwhelmed with caseloads of over 50 complaints each. Leaving children in possibly risky environments for such extended periods of time was simply unacceptable.

Improving our child protection system became one of our highest priorities, so over the last two and a half years, with an investment of an additional \$12 million in Commonwealth dollars, the Governor doubled the number of social workers in this program, shrunk the backlog of cases by 88 percent, and reduced social workers' caseloads down to an average of 28. In addition, last year a pilot program to reduce the turnaround of complaint investigations to 48 hours was successfully instituted in one of the Family Department regions. It will be extended to the whole Island by the end of July. Moreover, last year the Commonwealth inaugurated the first multidisciplinary transitional shelter, "Mi Casita Feliz," at an annual operating cost of \$2.4 million. This 108-bed shelter, run in cooperation with the Health, Justice, and Police Departments, not only provides immediate shelter for children who have just been removed, but it also offers integrated medical, psychological, social, and educational evaluations and services. Similar shelters are slated to open this year in two other regions of the Island.

I am very pleased with the progress made. However, all these ground-breaking improvements came without the benefit of any additional support from our Federal partners. Children living in Puerto Rico are denied their entitlement to IV-E assistance solely on the basis of where in the U.S. they live. Unfortunately, Puerto Rico's IV-E program is capped, so once the ceiling is reached, the Federal partnership ends and it is up to the Commonwealth alone to provide resources for these essential services. This legislatively imposed cap on foster care expenditures has no foundation in either welfare or economic policy, but is an arbitrary limitation imposed on the Commonwealth.

States with populations similar to Puerto Rico are reimbursed \$40 to \$50 million a year for their foster care and adoption assistance expenditures, however, and Puerto Rico receives about \$12 million a year. Puerto Rico receives one quarter of one percent of all IV-E funding, when the Commonwealth has seven times that proportion of the nation's foster kids. This limitation undermines our ability to respond quickly and appropriately to provide the necessary level of care these children require. It also undermines the Federal investment in the system as it prevents investments in training and in data systems to assure appropriate record keeping and tracking.

One example of unintended consequences resulting from the statutory dollar limitation on the IV-E program for the Commonwealth occurred in October 2002, when Puerto Rico the Commonwealth earned an adoption incentive bonus. On one day the Department of Health and Human Services awarded the bonus and on the next day, it reduced the Foster Care IV-E basic grant because the performance bonus had put Puerto Rico over the welfare cap. Similarly, there is no room under the cap for our IV-E eligible training, administrative, and placement expenses. Furthermore we

have been advised by ACF that the additional funds Mr. Horn spoke of in his testimony to the Subcommittee, the Educational Vouchers Program which is intended to support educational opportunities for youth placing out of foster care will not be available either, because of the cap.

Furthermore Puerto Rico has been advised by ACF that because of the cap on IV-E the \$648,557 Puerto Rico was to receive for the Educational and Training Vouchers for Youths Aging out of Foster Care will not be available. This is the program that Dr. Horn referenced in his testimony to the Subcommittee that Congress established, which is intended to support educational opportunities for youth placing out of foster care.

Mr. Chairman, Puerto Rico is in favor of additional flexibility for the IV-E program. However, it is also important to establish an appropriate baseline so that children, regardless of where they live in the United States, have access to a foster care system that is responsive, caring, and addresses their needs. The issue of child protective services is a critical issue in the Commonwealth and I look forward to working with you so that we can take significant steps to resolving these issues.

In addition to the critical issue of establishing an appropriate base line—a concern that I believe is shared by all of the states—there are other issues that the Commonwealth would like to work with the Committee to resolve as the foster care proposal is developed. These are the:

1. **Contingency Fund:** Puerto Rico is not authorized to participate in the TANF contingency fund. While I am hopeful that Congress will address this issue during the reauthorization of TANF, access to the Contingency fund is a fundamental need if the Commonwealth is to implement the flexible foster care proposal.
2. **Maintenance of Effort:** Puerto Rico has historically overmatched the IV-E requirement because of the cap. Given the relative low levels (as compared to the states) of Federal financial participation in the Puerto Rico IV-E program, mandating the Commonwealth to this higher level of MOE would appear to be overly burdensome.
3. **Medicaid Eligibility:** While children eligible for IV-E are automatically eligible for Medicaid and, in the states there is a full Federal partnership for the provision of healthcare. However, in the Commonwealth, the Federal Government only contributes approximately 15% of eligible Medicaid costs. I would urge the Committee to exempt the Medicaid expenditures for IV-E children from the Medicaid cap.
4. **CFS Review:** Puerto Rico expects to have its CFS Review completed this year by HHS. However, the difference between the improvement plan that the Commonwealth will adopt and work to implement and the plans implemented by the states is that there will be no reimbursement for eligible IV-E expenses that occur with the implementation of the plan. States can secure additional IV-E reimbursement for eligible portions of their plan, but because of the cap on foster care expenses, Puerto Rico will be required to confront this federal mandate with no federal partner to help finance this effort.

Mr. Chairman, it is my hope that my colleagues will join with me this year in working to see that Puerto Rico's abused and neglected children are provided the same access to federal assistance during the darkest times of their lives—without the imposition of arbitrary limits that bear no relationship to their actual needs. Let us renew our commitment to protecting *all* the vulnerable children of this country, regardless of where they live, and let us reinforce the historical partnership between the Federal Government and the Commonwealth so that children in Puerto Rico are not left behind.

Alliance for Children and Families
Washington, DC 20004
June 25, 2003

Honorable Wally Herger
Chairman, Subcommittee on Human Resources
Ways and Means Committee
House of Representatives
Washington, DC 20510

Dear Chairman Herger,

Please consider this cover letter and the attached documents as our submission for the printed record of the June 11, 2003 hearing held by your Committee on "Fos-

ter Care Flexible Funding Proposal". As you consider this issue, we believe it is imperative that you take into consideration the voice of the nonprofit sector, which has increasingly been delivering services on the front lines to America's most vulnerable children.

As your Committee prepares to explore the Bush Administration's Flexible Funding Proposal for foster care, we ask that you consider the recommendations of the Alliance for Children and Families, a national association of nonprofit, human service organizations that serve almost eight million people in more than 6,700 communities.

Please feel free to contact the Alliance for Children and Families and our member agencies all across the nation. Our website lists our members in every state (www.alliance1.org) and both our Milwaukee headquarters and our Washington, D.C. policy office can answer your questions about our research and recommendations. The Alliance would be honored to participate in any upcoming hearings on these or other issues affecting nonprofit human service providers.

Sincerely,

Carmen Delgado Votaw
Senior Vice President, Public Policy

The Alliance for Children and Families' Recommendations for the Bush Administration Foster Care Flexible Funding Proposal

The Alliance Responds to Secretary Horn's testimony on June 11, 2003 before the House Subcommittee on Human Resources, Ways and Means Committee.

We are pleased that Assistant Secretary Horn was willing to use this hearing as an opportunity to explore and clarify components of the Administration's flexible funding proposal for foster care. There is a growing consensus among national advocacy groups, child welfare providers, as well as many states and policymakers that the current mechanism for funding the nation's child welfare system needs revision, and must be revamped. Child welfare funding has eroded, and scant attention has been paid to maintaining the funding for children in the foster care system, who often have severe physical and psychological needs. It is imperative that any proposed changes promote and invest in increased prevention and early intervention, while assuring protection, permanency and well being of our country's most vulnerable children.

The Need for Increased Investment in Child Welfare Services

Although the Administration's proposal will provide states with the option to utilize greater funds initially, they will be limited to a capped amount over five years. Thus, it is unlikely that the block granted funds will be sufficient to build the front-end capacity of child welfare systems, in addition to sustaining foster care maintenance payments and providing case management to families. We recognize the states' need for more flexibility to provide more targeted systems of care, however, new investments are also needed to make improvements and build a more preventative system.

The Alliance for Children and Families further recommends the following:

- **Eliminate the "Look Back" for Adoption Assistance**—While eliminating the "look back" provision for foster care streamlines the IV-E process, maintaining the provision for Adoption Assistance reverses this movement towards simplification. An assessment of the child's household income at removal must still be completed while the child is in foster care for accurate determination, because this information is still needed for Adoption Assistance eligibility. If eligibility determinations are eliminated from foster care, the "look back" provision should be eliminated from foster care as well.
- **Set Aside Funds for Children with Severe Needs; Research & Training**—Because the children coming into the foster care system have increasingly complex physical and behavioral health needs, it is unlikely that child welfare costs will be significantly reduced as prevention strategies begin to take effect. The Federal Government should acknowledge the severe needs of this population, and consider maintaining the entitlement mechanism for specific populations, such as children who are compliant with Adoption and Safe Families Act (ASFA) regulations, and are placed in treatment foster care, group, and residential care facilities. Furthermore, the federal commitment to providing re-

search and training dollars to states should be considered distinct from the block of funds for prevention and service provision.

- **Create Minimum Standards for State Involvement in Child Welfare—** With the offer of more state flexibility, the Federal Government is transferring a greater share of responsibility and risk for the child welfare population to the states. The partnership between the Federal Government and states in providing services to abused and neglected children must be maintained and states should be discouraged from diminishing their investment in the child welfare system once receiving federal dollars. Additionally, Congress should create appropriate and minimum standards in areas such as size of caseloads, to give guidance to participating states to ensure the progress of child welfare reforms. States must carefully weigh the decision to forgo entitlement programs with state match requirements that may help them leverage additional resources within their own state legislatures.

Statement of the American Federation of State, County and Municipal Employees

The American Federation of State, County and Municipal Employees (AFSCME) is a labor organization representing 1.4 million workers, predominantly in the public sector. Tens of thousands of our members are caseworkers, supervisors and provide clerical support for public child welfare agencies across the country.

Many child welfare programs are in crisis, with more abuse and neglect cases than state and county run systems can handle successfully. Congress can play an important role in alleviating the strains on these systems that cause many of the heartbreaking stories we read about in local newspapers. However, allowing states to cap funding for the Title IV–E Foster Care and Adoption Assistance program in exchange for more flexibility runs directly counter to this goal.

Retain and Expand Child Welfare Entitlement

The open-ended entitlement to Title IV–E funds has provided stable, reliable funding for abused and neglected children who require placement in out-of-home care. During periods like the late 1980s when child welfare caseloads increased dramatically, state and county child welfare agencies relied on additional federal assistance as the need for foster care exploded. More recently, foster care roles have leveled off in many states and concomitantly, the need for federal foster care dollars has stabilized.

While federal support for foster care and adoptions has been strong, states and counties have not received sufficient funds for other components of their child welfare systems, including abuse prevention, family reunification, substance abuse, and mental health services. States should be allowed to fund kinship guardianship assistance payments under Title IV–E as seven states currently are able to do through waivers. Moreover, Congress should provide guaranteed funding for the Promoting Safe and Stable Families Program (PSSFP), an important abuse prevention program. In addition, the authority of the Secretary of the U.S. Department of Health and Human Services to approve child welfare demonstration projects should be extended.

AFSCME's Recommendation: We urge Congress to preserve the Title IV–E open-ended entitlement to ensure a stable and reliable federal commitment to supporting abused and neglected children. We also support allowing states to use Title IV–E funds more flexibly.

Workforce Crisis

In a 2003 report entitled “The Unsolved Challenge of System Reform, The Condition of Frontline Human Service Workforce,” the Annie E. Casey Foundation and the Brookings Institution Center for Public Service appropriately refer to child welfare workers as “America’s other first responders.” They found that while this workforce is highly committed and motivated, workloads are overwhelming, stress is too high, and training is inadequate. All of this had led to 40 percent turnover rates and inexperienced staff without the tools to perform their extremely challenging jobs.

A 1998 AFSCME survey of our members who work in child welfare had similar findings. Caseloads in well over half of the child welfare agencies surveyed exceeded the recommended guidelines published by the Child Welfare League of America. Wages were not commensurate with the job demanded of these professional workers, virtually all of whom have a minimum of four years of college. Training was

inadequate, with workers lacking a voice in shaping the training received. And, violence in the workplace and in the neighborhoods where workers must go was also a serious problem. Over 70 percent of the AFSCME affiliates responding to the survey reported that front-line workers in their agencies had been victims of violence or threats of violence in the line of duty.

AFSCME's Recommendation: We support legislation that recognizes and begins to solve the problems front line workers face. Federal grants to states should be established to improve the working conditions of child welfare workers by increasing wages, lowering caseloads and workloads, improving education and training, providing scholarships and student loan forgiveness, and increasing worker safety.

Fully Fund Child Welfare and Related Programs

Too often in the federal budget process, child welfare and related programs do not receive the funding they require to perform the critically important work they are charged to do. For example, funding for the Child Abuse Prevention and Treatment Act (CAPTA) and Promoting Safe and Stable Families Program is often set below the funding level authorized. Looking at the Fiscal Year 2004 budget, the House subcommittee mark contains only a 1% increase in funding for mental health services and an increase only slightly above inflation for substance abuse treatment. These funding levels will not come close to closing the gap between services needed and services provided.

Indeed, the House subcommittee mark proposes to reduce funding overall for children and family services programs by 9 percent. And, funding for the Social Services Block Grant (SSBG) has been flat funded for years after it was cut in the mid-1990s. Almost one-quarter of SSBG spending goes for child welfare services.

AFSCME Recommendation: All programs that provide services for families either in the child welfare system or at-risk of abuse or neglect should be provided the funds they need to keep children safe. This includes services that get to the root causes of abuse, including mental health and substance abuse programs, as well as child welfare programs.

Conclusion

Protecting vulnerable children from abuse and neglect should be a national priority. This commitment must be reflected in federal policies and funding. We urge this Congress to reject a cap on funding for the Title IV-E program, enact legislation that would support the child welfare workforce, and increase funding for child welfare and related services.

Association on American Indian Affairs
Rockville, Maryland 20850
June 23, 2003

Congressman Wally Herger
Chairman, Subcommittee on Human Resources
Ways and Means Committee
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Herger,

Re: Submission for the record of the June 11, 2003 hearing on the Bush Administration Flexible Foster Care Funding proposal.

Please accept the following statement for the record of the above hearing.

The Association on American Indian Affairs is an 80-year-old Indian advocacy organization located in South Dakota and Maryland and governed by an all-Native American Board of Directors. We have been involved with Indian child welfare issues for decades and played a key role in the enactment of the Indian Child Welfare Act of 1978. We have had a long-standing interest in the issue of direct funding to tribes under Title IV-E of the Social Security Act, having testified before this subcommittee about this issue as far back as 1990.

We applaud the Administration's recognition of the need for direct tribal funding under Title IV-E in its flexible funding proposal. We also wish to thank Rep. Camp for introducing and seeking the enactment of H.R. 443 that would provide direct tribal funding under the existing Title IV-E program. It is long overdue that the exclusion of tribal governments from this program be rectified.

There are many needs in Indian country that access to this money can address. Among other things, this money can be used to pay foster families, provide assist-

ance and support for those families, finance child protective services to prevent family breakup and ensure adequate training for staff and foster families. Attached is a fact sheet that summarizes the many reasons why inclusion of tribes in Title IV-E—both any new program and the existing program—is critical.

As you move forward to develop legislation implementing the President's proposal, it is critically important that tribes and organizations such as ours and the National Indian Child Welfare Association be involved in the discussion. In that way, the Committee can ensure that any law that is enacted will truly meet the needs of Indian country. It is also vital that this Committee support the enactment of H.R. 443, so that tribes will have access to adoption assistance money, in addition to foster care money, and in order to provide tribes with the same option as states in regard to the Title IV-E foster care program.

Thank you for considering this testimony.

Sincerely,

Jack F. Trope
Executive Director

Fact Sheet on Title IV-E Funding to Indian Tribal Governments

As has been well documented, tribal exclusion from the Title IV-E program was not deliberate. At that time (1980), the Committees addressing these issues did not fully understand nor recognize the critical role of tribal governments in service delivery to children, nor the inherent sovereignty of Indian tribal nations. Today, Congress has a better understanding of tribal sovereignty and the critical role of tribal governments in providing services to children and families and it is time to correct this oversight. Tribal governments are the entities best situated to provide such services to their communities for several reasons:

- Indian tribes are “domestic dependent nations” with inherent sovereign powers. They have a direct government-to-government relationship with the Federal Government and are not subdivisions of the states.
- History has shown, and a 1994 HHS inspector general report confirmed, that in the case of Title IV-E, there have been some tribal-state agreements negotiated, but they are limited in number and scope and generally do not include the full array of IV-E services and administrative support that states are able to access.
- Tribal programs are more attuned to the special programmatic and cultural needs of their local communities and have experience in operating quality programs when resources are available; permanency for Indian children who need out-of-home placements is best achieved when tribes have the resources to ensure that quality foster care and adoptive placements for these children.
- Tribal members continue to experience inequity in the quality and quantity of services available under State-administered programs.
- Although some tribes have accumulated significant resources because of their successful gaming operations, most tribes continue to lack a substantial economic and tax base from which to generate resources.
- Federal resources provided for Indian people for social services through Bureau of Indian Affairs and Indian Health Services budgets have consistently been inadequate, falling far short of need.]
- In the case of Title IV-E, providing for tribal access to this program would address a substantial injustice—namely, that some of the neediest children in the country are excluded from a program that is an entitlement for all other similarly situated children, simply because they fall under tribal jurisdiction.

Of note, support for these provisions is not limited to tribes and Indian organizations. For example, the 1994 HHS Inspector General report specifically recommended direct funding to tribes under Titles IV-E and state-based groups such as the American Public Human Services Association have taken a clear position in support of Title IV-E funding for tribal governments.

Statement of the Child Welfare League of America

The Child Welfare League of America (CWLA) welcomes this opportunity to submit testimony on behalf of our more than 1,100 public and private nonprofit child-serving member agencies nationwide on the Administration's proposal to restructure

Title IV–E foster care funding. This hearing represents an important opportunity to address the comprehensive reform of the child welfare system that is needed to ensure that our most vulnerable children are protected from abuse and neglect.

Newspaper headlines across the country reveal that we, as a country, need to do more to protect our children from abuse and neglect and to care for the children who are in foster care. All children need protection and do best when they are living in permanent loving homes. There is also a compelling national interest in providing consistent levels of safety, protection, and care for America’s children across each state in the nation.

CWLA strongly opposes any measure that limits the federal responsibility to participate fully with the states in meeting our fundamental obligation to America’s most vulnerable children and families. We believe that a new, more complete approach to shared state and federal funding should be implemented. In the meantime, while recognizing the inadequacy of the current program, we believe that it is essential to maintain basic Title IV–E entitlements until a more effective financing method is implemented.

Nationwide Reform Is Needed To Build A System Of Care That Will Ensure Children Are Protected

While recognizing the valiant efforts of the people who work within our nation’s child welfare system, CWLA recognizes that the current child welfare system does not protect all children adequately. The shared federal, state, local, and tribal responsibility has never been fully developed or realized. The result is an incomplete system that continues to be in urgent need of reform and completion. We are overdue in implementing an improved and strengthened system. True child welfare reform hinges on an improved system of shared financing responsibilities among federal, state, local, and tribal governments.

The national child welfare system continues to be in need of:

- A reliable, responsive, and predictable method of guaranteed funding, for a full range of essential services, as well as placement and treatment services. The current Title IV–E entitlement has proven to be an imperfect vehicle for funding a true child welfare system. Viable alternatives that offer guarantees to all children in need should be explored.
- A means of maintaining consistent focus on safety, permanency, and well-being as outcomes for children.
- Rigorous standards combined with strong federal and state accountability mechanisms.
- Recruitment and support of adequately trained child welfare professionals, foster parents, mentors, and community volunteers.
- Resources that enable parents to provide adequate protection and care for their own children.

Flaws In The Current System

The current child welfare financing structure is unbalanced.

- Title IV–E foster care provides approximately 38% of support for all child welfare services, yet it supports only about 50% of the small portion of children who actually are placed in out-of-home care. At most, this group represents less than even 20% of children receiving child welfare services. In fact, the federal role, as defined and limited by these eligibility requirements, has never been extended to all of this country’s children who have been removed from their homes. Due to the eligibility restrictions linking Title IV–E eligibility to outdated 1996 AFDC standards, this limited level of federal support for children through Title IV–E is consistently diminishing over time.
- Even among those who are Title IV–E eligible, the scope of reimbursable care is limited to routine maintenance care. Family support services that might keep a child at home or treatment services that might reduce the length of time in out-of-home care are not included.

The current system of financing child welfare services is complex.

- An inordinate amount of state administrative costs is attributable to maintaining individual eligibility systems, cost allocation systems, blended funding formulas, match certification protocols, and other artifacts of an overly complex system.
- Since the patchwork of mechanisms that finance child welfare services is so complex, states vary greatly in fully utilizing existing resources.

The current system is inadequately linked to either need or outcomes and is over-invested in misplaced accountability.

- Strong steps have been taken to move the child welfare system to an outcomes-based accountability system. Despite some significant shortcomings, the current federal review system, under the Child and Family Service Reviews, has substantial promise.
- In the meantime, states continue to be required to invest considerable money and time in systems to track Title IV-E eligibility and related administrative tasks. By some estimates, this consumes as much as 5% of the total investment in the child welfare system. These resources could be better utilized in providing services or managing the mandated safety, permanency, and well-being outcomes for children.

The current system is overly dependent on potentially transitory resources.

- Temporary Assistance for Needy Families (TANF), the Social Services Block Grant (SSBG), and Medicaid provide significant federal resources for child welfare. These funding sources, however, must provide resources for services to many other consumer populations. In addition, funding for SSBG is unpredictable and has been significantly reduced in recent years.

Principal Objectives Of Child Welfare Reform

An improved federal and state child welfare financing system should be constructed to achieve four principal objectives. CWLA looks forward to working with this Subcommittee to develop a comprehensive child welfare reform proposal that includes the following principles:

1. Preserve the shared federal and state responsibility for protecting and caring for at-risk children.

- a. Maintain and expand federal protections for individual children.
- b. Ensure full federal financial participation in both protection and care responsibilities for all children who require the attention of state child protection agencies.
- c. Ensure that the Federal Government continues to share responsibility for closing the gap between resources and need with the states to guarantee safety and permanency of children coming to the attention of the child welfare system—resources should match needs.
- d. Establish a nationally-recognized mechanism for objectively defining the full extent of protection and care needs of children in the child welfare system.
- e. Extend direct access to federal funding by tribes for care and protection of children who are victims of abuse and neglect.

2. Ensure that the outcomes of safety, permanency, and well-being are achieved for all children.

- a. Build on the success of the Child and Family Service Review process by continuing the emphasis on child outcomes.
- b. Initiate a concerted national effort to refine the scope and reliability of measurable outcomes.
- c. Connect performance indicators to nationally-defined standards of child need.

3. Attain high levels of quality and accountability in state and local programs.

- a. Ensure accountability through formal standards of care, accreditation, certification, or licensure.
- b. Continue and strengthen Child and Family Service Reviews.
- c. Strengthen and refine national reporting standards (AFCARS, NCANDS, etc.).
- d. Allow states and tribes substantial flexibility to design service systems that work within a local context, while still requiring them to meet performance standards.

4. Provide states with sufficient flexibility to permit simplified administration and a full continuum of responsive services.

- a. Simplify administration by eliminating individual eligibility determination and the need to track case administrative costs as distinct from service costs.
- b. Provide state and local flexibility in defining the mix of services and types of care. Permit flexible services in response to a full range of child welfare client needs.
- c. Allow states to use all federal funds for both service and administration to support delivery through either public or private agencies.

- d. Allow set-asides to address special needs, such as workforce development, training, and research.

The Administration's Foster Care Funding Proposal

The Administration's response to the reforms needed in child welfare include a proposal that would restructure the current Title IV-E foster care program. While legislation has not yet been introduced, some details have emerged through congressional testimony and public comments from Administration officials. Under the proposal, each state would have an option to receive a fixed, predetermined allocation, or block grant, of Title IV-E foster care maintenance payments, administrative costs, and training funds.

Under the proposed option:

- States would receive annual grants over a five-year period. Funding would equal the projected growth in federal foster care expenditures. These projections would be based on the current restrictions which require states to base eligibility on their 1996 AFDC program standards. States would be allowed to draw down up to 20% of this five-year total in any one year.
- All states would have a set period of time to opt-in, or choose this option. States not choosing this option at that set time could not elect to make that choice at a later date. States that do choose this option must continue to receive this set funding for a period of five years. Once a state chooses the option, it may not opt-out during the five-year period.
- States choosing the option could spend the funds on foster care and any services now provided under Title IV-E and Title IV-B, Child Welfare Services, and Promoting Safe and Stable Families programs.
- States could use the funds for any child in the child welfare system, regardless of income. Based on current eligibility, approximately 50% of all children in foster care are supported with federal funds.
- States choosing the option would have to maintain the same level of state funds now used to draw down federal Title IV-E foster care funds.
- States would be expected to maintain the protections for children that exist in current law.
- If a state experienced an unusual increase in their foster care population, a state could draw funds from an emergency fund under the TANF block grant. To qualify for this relief, a state would have to meet a national *and* state target increase in foster care caseload or unemployment rates.
- HHS would continue to conduct Child and Family Service Reviews. For states choosing this option, Title IV-E eligibility reviews would be eliminated.
- A set-aside of \$30 million would be established for Indian Tribes or consortia that demonstrate the capacity to operate a Title IV-E program. Indian tribes will have similar program requirements as states. However, HHS may waive certain state program requirements that are burdensome to Indian Tribes but do not compromise child safety.
- The Title IV-E Adoption Assistance program would remain unchanged. The eligibility for this program would continue to be linked to a state's 1996 AFDC standards.

CWLA Key Concerns About The Administration's Foster Care Funding Proposal

The Administration's proposal opens the door to a serious national consideration about the way in which we choose to carry out our collective responsibility for protecting and caring for the most vulnerable children and youth in our communities. Based on the information available, the proposal does appear to recognize the urgent need for administrative simplification and more flexibility for states to develop creative solutions to the widely varied needs of children and families. It acknowledges that up-front investment is required to begin movement toward new patterns of child protection and care.

The Administration's proposal, however, does not yet appear to offer the depth of reform or the guarantee of sufficient federal financing necessary nationwide to improve the child welfare system and ensure that all children are protected. The proposal appears to freeze federal resources at a time when there is a great need for significant new investments and reform in our national child welfare system.

CWLA also has many concerns about the Administration's proposal:

- The proposal breaks the link between federal funding based on an entitlement funding formula and transforms it into a fixed amount of funds no longer driven by need or the number of eligible children.

- The proposal does not address the complex array of federal funding sources for child welfare. Title IV–E foster care, the subject of the Administration’s proposal, comprises 38% of all federal child welfare spending. Other federal funding sources include: Title IV–E adoption assistance (10%); the Social Services Block Grant (17%); Temporary Assistance for Needy Families (15%); Medicaid (10%); Title IV–B, Child Welfare Services, and Promoting Safe and Stable Families Program (5%); and SSI and others (5%).
- The Administration’s foster care proposal is cost neutral, setting a five-year cap on spending. The proposal does not recognize the need for any new resources to build a system of care to better protect children and address pressing issues, including supports for the child welfare workforce and substance abuse treatment for families that come to the attention of the child welfare system.
- A state choosing the foster care option would receive a fixed allocation/block grant based on the current Title IV–E eligibility criteria that link eligibility to 1996 AFDC standards. This means that the allocation/block grant would be based on a declining number of children becoming eligible over the next five years.
- The proposal would not ensure that funds would be used for prevention services. Current Title IV–E funding does not cover all children in out-of-home care and few, if any states, adequately fund their child welfare systems so as to provide the safety and permanence contemplated by current law. States may have to use the fixed allocation/block funds to cover non-Title IV–E eligible children. There is no guarantee that any funds would be used for prevention services. Federal Title IV–E funding currently supports only 50% of the children in out-of-home care.
- Adoption assistance eligibility would continue to be linked to foster care eligibility. If the Title IV–E foster care eligibility is removed, determining future eligibility for adoption assistance would be complex and more difficult than it is presently. This may result in reducing the number of federally-supported adoptions from foster care.
- The role of the cities and counties is not protected in this state option proposal. There is no requirement that the fixed allocation/block grant funds be distributed to local or regional governments will be based on need or eligible children. There is no requirement that a city or county, which may include the bulk of a state’s foster care population, will have any input in whether a state chooses this block grant or not.
- The proposed state maintenance-of-effort is based *only* on state funds currently used to draw Title IV–E federal funds. Since the financing of child welfare services (adoption, foster care, child protection, and other services) involves a variety of federal, state, and local funds, it appears that states would be able to reduce state spending by billions of dollars and still meet the federal spending requirement necessary to draw down the fixed allocation/block grant.
- Questions remain about the formula being developed to determine each individual state share of the fixed amount of funding. Will all states that take the fixed allocation/block grant option and project they will have increased costs over the next five years be eligible to receive increased funds? Will the formula be based on historical claim or actual reimbursements? Since the overall total federal allotment is fixed, would some states get less if other states negotiated an increase since certain formulas that benefit one state could result in less funding for another state?
- In order to access needed additional funds if states experience a dramatic increase in child welfare caseloads (or an increasingly complex caseload with greater needs), the proposal suggests that states could access the TANF emergency fund. The trigger that would allow a state to draw these TANF funds would be based on national *and* the individual state increases in foster care. These criteria would not necessarily reflect what is happening in a county or city where the bulk of the foster care population might be found. These emergency relief funds would divert funds from TANF. If the same event (a recession for example) caused both cash assistance and foster care caseloads to increase, a state may have to choose whether they wanted to fund increases in TANF or foster care.
- The proposal would combine Title IV–E training funds into the fixed allocation. States would have to choose what, if any, portion of the allocation could be dedicated to training and staff development.

CWLA Recommendations

CWLA urges Congress to comprehensively review and take action on what is truly needed to build the system of care so that children are protected. CWLA looks for-

ward to working with this Subcommittee to develop a comprehensive child welfare financing reform proposal that is built on the following four principles and achieves the objectives outlined earlier.

- Maintain Federal/State Responsibilities
- Achieve Sound Outcomes
- Ensure Quality and Accountability
- Provide State Flexibility

Pew Commission on Children in Foster Care

The Pew Commission on Children in Foster Care has been established to develop recommendations to improve outcomes for children in the foster care system. The Commission was announced on May 7, 2003, as an independent, nonpartisan body with the goal of developing effective and practical recommendations to improve the foster care system. The Commission will focus on recommendations in the areas of improving existing federal financing mechanisms to facilitate fewer foster care entries and faster movement of children from foster care into safe, permanent, and nurturing families. The Commission will also focus on improving court oversight by providing state and local courts with tracking and management tools to help achieve safety and permanency for foster children.

The Commission members are committed to reach consensus on a set of achievable recommendations in these targeted areas and to seek implementation of these recommendations. A final report and recommendations are due to be released in the summer of 2004. CWLA urges Congress to carefully weigh these recommendations as they move forward in making changes to the federal/state partnership in financing child welfare services.

Congressional Proposals Addressing Child Welfare Financing

Congress can also take action to make incremental improvements to the child welfare system. Many of CWLA's recommendations were contained in testimony submitted to this Subcommittee for the April 8, 2003, hearing on the implementation of the Adoption and Safe Families Act (ASFA). Those recommendations included:

- Eliminate the eligibility link to 1996 AFDC standards so all children in foster care receive federal assistance. Congress has mandated legal and permanency protections for all foster and adopted children, however, federal funding is only available to pay for the costs of children who are eligible for Title IV-E. A reformulation of the federal-state share would have to be determined in order to institute this change.
The current law links Title IV-E eligibility to archaic standards that each state had in place under their 1996 AFDC cash welfare system. States are required to maintain the same eligibility standards that existed in July 1996. Since AFDC no longer exists, this continues to be an administrative burden on the states. If the current system remains in place, what is even more critical, is the fact that as time goes by, fewer and fewer children will be eligible for federal foster care and adoption assistance. Based on these standards, only 50% of children in out-of-home placement are currently eligible for the Title IV-E funding. Unless changes are made, some states may be able to serve less than one-third of their children in out-of-home placement through the use of Title IV-E foster care funds.
- Address the growing child welfare workforce issues that pose challenges to ensuring children's safety and care. A major challenge in reducing the number of children entering or remaining in out-of-home care or waiting for an adoptive family lies in the ability of a well-staffed and well-trained child welfare workforce. Caseworkers must assist families that are experiencing difficult and chronic family problems. They also must achieve the goals of safety and permanency and make lifetime decisions for the child within the ASFA timelines. Yet, the safety and permanency of children is hampered due to large caseloads, caseworker turnover, and minimal training. In addition, extending federal training funds will ensure that workers employed in private agencies are well-trained.
- Dedicate significant new resources to provide substance abuse treatment for families in the child welfare system. Families in the child welfare system need access to appropriate substance abuse treatment. Up to 80% of the children in the child welfare system have families with substance abuse problems. Resources for substance abuse treatment for families are chronically in short supply. All states report long waiting lists. Alarming, over two-thirds of parents involved in the child welfare system need substance abuse treatment, but less than one-third get the treatment they need. To ensure that permanency decisions can be made for children whose families have alcohol and other drug prob-

lems, special steps must be taken to begin services and treatment for the family immediately upon a child's entry into foster care or to regain custody of their children.

- Make available a federally-funded guardianship permanency option to allow states to provide assistance payments on behalf of children to grandparents and other relatives who have assumed legal guardianship of the children for whom they have committed to care for on a permanent basis.
- Extend and expand the existing child welfare waivers. The U.S. Department of Health and Human Services should collect data on these efforts in order to evaluate their effectiveness.
- Extend and modify the adoption incentive program to help older youth secure permanent adoptive homes.
- Adopt the Administration's recommendation to increase funding to \$505 million for the Promoting Safe and Stable Families Program and \$60 million for the educational and training vouchers for youth aging out of foster care.
- Restore funding for the Social Services Block Grant. SSBG funding comprises 17% of all federal child welfare funding. Reductions in SSBG funding in recent years has hampered state ability to protect needed services.
- Provide direct tribal access to Title IV-E funds. Currently, tribes can only access these federal funds through agreements with states.

Legislation has been introduced this year that adopt some of these incremental measures. The Child Protection Improvement Act (HR. 1534), introduced by Representative Ben Cardin (D-MD) and several members of this Subcommittee, makes a down payment towards addressing the comprehensive reforms needed. H.R. 1534 provides new funding to help states implement strategies to expand and improve their child welfare system, including the expanded use of child welfare waivers. The legislation will also help public and private child welfare agencies better secure and maintain a stable and well-trained child welfare workforce. New funds are also provided to address the substance abuse treatment needs of families in the child welfare system and to ensure that more children are eligible for federal foster care and adoption assistance. The bill also provides first-time federal assistance to support kinship guardianship as a permanency option for some children.

Child welfare reform measures are also contained in Title VIII of the Act to Leave No Child Behind, (H.R. 936). That legislation provides additional federal funding for preventive, crisis, permanency, and post-permanency services for children and parents or other caregivers when they first come to the attention of the child welfare system; when children enter foster care; and when children leave care to be united with their families, adopted, or placed permanently with grandparents or other relatives. Title VIII would also expand eligibility for foster care, adoption assistance, and other services.

Conclusion

The child welfare system needs reform. CWLA calls on Congress to take action to ensure that we, as a country, do a better job of protecting and caring for our children. We urge Congress to take time to review and act on comprehensive child welfare reform measures that maintain a strong federal responsibility. CWLA strongly opposes any measure that limits the federal responsibility to participate fully with the states in meeting this fundamental obligation. We believe that a new, more complete and streamlined approach to shared state and federal funding should be implemented. In the meantime, while recognizing the inadequacy of the current program, we believe that it is essential to maintain basic Title IV-E entitlements until a more effective financing method is implemented. CWLA believes important and necessary reforms must be enacted to guarantee a federal/state/local commitment to ensure a consistent level of safety and care for all of America's children. We look forward to working with this Subcommittee to develop a comprehensive child welfare reform proposal that meets all the needs of America's most vulnerable children and families.

Statement of MaryLee Allen, Children's Defense Fund

The Children's Defense Fund (CDF) is pleased to have the opportunity to submit a written statement for the record of the June 11, 2003, hearing on the Bush Administration's Foster Care Flexible Funding Proposal before the Subcommittee on Human Resources.

The Children's Defense Fund's mission is to *Leave No Child Behind*® and to ensure every child a healthy start, a head start, a fair start, a safe start and a moral start in life and successful passage to adulthood with the help of caring families and communities. CDF provides a strong, effective voice for *all* the children of America who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of poor and minority children and those with disabilities.

CDF's advocacy for reforms on behalf of children who are abused or neglected or at risk of maltreatment predates the passage of the Adoption Assistance and Child Welfare Act of 1980. Over the years we have had the opportunity to work closely with Members of the Subcommittee on Human Resources, formerly the Subcommittee on Public Assistance and Unemployment Compensation, to make improvements in many aspects of the child welfare system. The Subcommittee has often played a leadership role in securing new investments in family support services, strengthening adoption opportunities for children, creating new opportunities for older youths aging out of foster care, and putting in place new monitoring mechanisms for promoting quality care for children. Despite these gains, much remains to be done.

We therefore appreciate your current attention to how to structure the financing of child welfare to create the best opportunities for children—those who are at risk of entering foster care, those in care, and those who have returned home, been adopted or are with kin and need ongoing support to prevent them from returning to care. As you well know, this is not a new discussion. When we testified before this Subcommittee in 1979, we urged that funds for prevention and specialized services be put on an equal footing with funds for out-of-home care, and today our message is similar. There also have been a number of financing proposals before you in recent years. Yet, investments in out-of-home care are still almost three times the investments in prevention and other services. We urge the Subcommittee to give careful consideration to the issue of child welfare financing throughout the 108th Congress—to hear from state officials, providers, and advocates in states that have explored alternative funding options, to review proposals from the recently appointed Pew Commission on Children in Foster Care that is examining child welfare financing and the role of the courts, and to craft reforms that will ensure long term gains for all vulnerable children and families.

In our statement, we will do three things:

- Comment on the foster care flexible funding proposal included in the Bush Administration's FY 2004 Budget, by posing ten questions that we believe must be asked of it and any other financing proposals;
- Suggest briefly an alternative financing scheme for child welfare; and
- Recommend steps that can and should be taken immediately, while broader financing options are being considered, to increase the capacity in states to promote safety and permanence for children.

Concerns About the Bush Administration's Foster Care Flexible Funding Proposal

The Administration proposes to offer states the option of taking a fixed amount of money over five years in exchange for its current open-ended funding for foster care under Title IV-E of the Social Security Act. While few details and no legislative language are yet available, the Administration proposes that states could receive more money in the early years to spend on prevention and treatment activities. While CDF agrees with the goal of increased investments in prevention and treatment, we do not believe that what appears to be a foster care block grant, as proposed by the Administration, will reach that goal. In fact, we are concerned that a block grant, especially if implemented when states are in deep fiscal crises and as part of a broader strategy to end key supports for poor children and families, would have a negative impact on the very children and families it is intended to serve. If we are to keep children safe and in permanent families we need a continuum of services that includes prevention, specialized services, foster care, and a range of permanency and post-permanency options.

We list our concerns about the Administration's foster care block grant below, in the form of ten key questions, and ask you to consider these questions as you examine this and other financing proposals that come before the Subcommittee.

1. Will the proposal assure increased investments in prevention?

The Administration's foster care block grant continues to pit prevention against foster care. It appears that increased federal funds for prevention would be available only if foster care costs decline, yet some of the claims made by proponents of the block grant suggest that states would be able to make more children in foster care eligible for federally-supported payments because they will be able to use federal

funds for children who do not meet the current AFDC eligibility criteria. Decisions about expenditures should be based on the individual needs of the children and families, rather than pitting one type of service against another. There also seems to be no assurance that funds would be invested in prevention, even if foster care costs should decline. It also is not clear at this time whether all states opting for the block grant would be eligible for an initial increase in funds or what the amount of that increase would be.

2. What attention will be given to the specialized treatment needs of children and families facing substance abuse, mental health problems, domestic violence, and other challenges?

The Administration's block grant similarly gives no attention to the specialized treatment needs of families struggling with substance abuse, mental health problems, and domestic violence. As many as 80 percent of the children who enter the child welfare system are from families challenged by substance abuse. 30 to 60 percent of the children who are exposed to domestic violence are also victims of child abuse. Today you cannot attend a meeting of child welfare officials from various states without the discussion turning to shortfalls in the areas of substance abuse and mental health treatment. It is critically important that funding be tied to what children need. Even if increased dollars were available for prevention, it is difficult to foresee new investments in treatment for substance abuse, mental health, and domestic violence problems.

3. How will the protections under current law be maintained and enforced?

The maintenance of protections and quality of care for abused and neglected children has been a constant challenge in the states. More than half of the states have been the subject of class action lawsuits, most of which have resulted in consent decrees that specified improvements in the protections afforded children. It is critical that the protections in current law, such as requirements for case plans, periodic case reviews, placements in the most family-like setting, and reasonable efforts to preserve and reunify families and to guarantee quality foster care when other alternatives are not available be maintained. While Assistant Secretary Horn testified to the Subcommittee that current protections would be maintained in the foster care block grant, it will be important to see how they are drafted. It is also critical that there be a method in place to monitor and enforce the protections. The current Title IV-E eligibility reviews will no longer be required. While the Child and Family Services Reviews will continue, they focus on ensuring certain outcomes are achieved for children and do not directly assess whether individual protections for children are maintained. The reviews also are only undertaken every five years.

4. How will training for staff, foster parents, and adoptive parents be improved?

It is not clear whether training funds will be included in the foster care block grant. Although it was not mentioned in Assistant Secretary Horn's testimony, training has been described as being part of the new financing option in presentations by other Administration officials. Given the crises in child welfare systems, it is clear that increased training to improve the quality of care provided needs to be an urgent priority. We are concerned that investments in training would be reduced if training funds, which are now available on an open-ended basis and at a higher match rate than foster care, were included in the block grant. Instead, as we will describe later, funding for training must be increased. Federal IV-E training funds must be expanded to reach staff from private child welfare agencies (only public agency staff are currently eligible) and staff from related child-serving agencies, such as mental health and substance abuse, who are working with children in the child welfare system.

5. What will be the impact on adoption?

Given current descriptions of the foster care block grant, it is not clear how eligibility for Title IV-E adoption assistance, which will remain outside of the block grant, will be determined. Although Administration officials have made clear their priority for adoption, it is not clear that more children would be adopted under the current proposal. Currently most children qualify for federal adoption assistance based on their eligibility for the IV-E foster care program, but those eligibility requirements will no longer be in place. Will states still be required to use the IV-E eligibility rules to determine the individual eligibility of children for adoption? It certainly seems inconsistent with a focus on increased flexibility and permanence for children in foster care to increase requirements for getting children adopted from foster care.

6. How will Medicaid eligibility be ensured?

The foster care block grant proposal also raises questions about children's eligibility for Medicaid. Currently all children who are eligible for IV-E foster care are categorically eligible for and must be covered through the state's Medicaid program. States may elect to cover non-IV-E eligible foster children through their Medicaid program as well. In states that opt for the block grant, will all children served by the block grant who receive foster care be automatically eligible for Medicaid? Will foster children be mandatory or optional participants in state Medicaid programs? Will children who receive services through the block grant be eligible for Medicaid if they are not in foster care? Will children currently in IV-E foster care who receive Medicaid continue to be automatically eligible for it, even if they no longer receive foster care under the block grant? Will states have to develop an eligibility determination process for Medicaid? Will an amendment to the Medicaid law be required? How will this proposal work with the Administration's proposal to block grant certain aspects of the Medicaid program? Recognition of special health and mental health needs of these children is well established and it is critically important that they not lose Medicaid.

7. How will the proposal accommodate emergencies in the child welfare system?

The Administration has made clear that under no circumstances would states be able to opt out of the block grant during the five-year period. What would happen therefore if a state experienced a sudden and dramatic increase in its foster care caseload? Many states saw this in the mid-1980's as large urban areas experienced the crack cocaine epidemic. Other states have seen sudden jumps in caseloads following a tragic death of a child at home. Sometimes a change in the law also can result in more children entering care. Sometimes these caseload increases occur despite a state's best efforts but the state remains responsible for ensuring that children's needs are met. What would happen if a state experienced increased foster care costs, despite a decreased foster care caseload, because the children in care presented more complex challenges or the state better identified their challenges? Again, the state would need additional funds to address the needs of children in care. The safety valve proposed by the Administration in its new funding option—the TANF contingency fund—seems problematic in at least two ways.

First, the complexities of accessing the TANF contingency fund have made it difficult for even TANF agencies to use the funds to date. It also seems problematic for child welfare agencies to have to compete with TANF agencies for emergency services. It means pitting families who are struggling to work to keep their children out of the child welfare system against families who are trying to get help to get their children back home. Which services or groups of families would get priority? This is an important question given that some of the factors that might trigger a foster care caseload increase will also contribute to a greater need for TANF.

Second, there is also uncertainty about what would count as an emergency. In various presentations about its proposals, the Administration has referred to both state and national triggers. Yet, it is easy to imagine an individual state, say the size of Connecticut, Louisiana, or Wyoming, having a big increase in their caseload that would likely have no, or only a minimal, impact on the national caseload. In considering financing proposals, attention must be given to how best to expand resources for alternative services while at the same time offering a safety net for the vulnerable children for whom foster care may be the last and only option.

8. What is the danger that investments in child welfare will be reduced over time before the needs of children and families are adequately met?

What impact will the block grant have on other child welfare spending? We have concerns, described more specifically below, that the foster care block grant being discussed could actually result over time in reduced resources for child welfare in the states.

First, it is not clear that protections will be built in to prevent states from withdrawing some of their other investments in child welfare when they receive their block grant. Currently states make significant federal, state, and local investments in child welfare. In 2000, based on Urban Institute data, Title IV-E represented 25% of child welfare expenditures. Of the remainder, 25% were from other federal programs, 39% were state, and 11% were local. In examining financing proposals, it is essential to ensure that states be required to maintain at least their current levels of federal, state, and local child welfare funding. In addition to including strong maintenance of effort and non-supplanting provisions, it must be clear how the Federal Government will enforce these provisions and what penalties would attach. These were issues that the Subcommittee gave thoughtful attention to during

its look at financing options in the 107th Congress and should be revisited in the context of proposals currently on the table.

Second, the conversion of programs to block grants often results in decreased levels of expenditures over time. The Title XX Social Services Block Grant (SSBG) is a good example. In 2000, 22% of the SSBG funds were used for child welfare activities. SSBG was funded at \$2.7 billion in 1995 and \$1.7 billion in 2002, a decline of 38% (a 45% decline in constant 2002 dollars). We have great concern that a foster care block grant will result in decreased dollars in the end, when increased investments are actually needed. Yet, there seems to be no assurance that states could opt out of the block grant if the dollars available to them were reduced. In fact, it is difficult to figure out how a state could opt out of the block grant even at the end of five years. A requirement that it redetermine eligibility for its entire caseload at that point would certainly be burdensome and costly.

Third, we have special concerns about the impact of the block grant on spending in county-administered states. Under current law, counties are assured each year of getting federal reimbursement for foster care for all of their eligible foster children. Under the block grant though, as we expect it to be proposed, dollars will go to the states and states will decide on allocations to the counties. Some counties, therefore, may be left with significant shortfalls. The Chair of the Legislative Committee of the County Welfare Directors of California and Vice President of the National Association of County Human Services Administrators joined others at the June 11 hearing in raising questions about the new financing option. She testified that she feared “the budget neutrality requirements will limit our ability to spend more money on prevention activities and staff training over the long-term.” “Without assurances that the funds will grow to support the expanded services, rather than diminish over time,” she said, “we cannot endorse the proposal.”

Fourth, the block grant is likely to make it even harder for child welfare administrators to obtain new state child welfare investments that in the past they could have argued would bring them increased federal investments. Given state fiscal shortfalls in states, it may even be difficult for them to hang on to the state dollars they have had.

Fifth, it is not clear what the call for cost neutrality means in the context of the Title IV–E Foster Care Program overall. For example, what would happen if states that remain in the entitlement program and do not opt for the block grant exceed their projected expenditures and overall IV–E spending exceeds the budget limits? Would HHS be permitted or required to reduce the funds available to states that elected the new program option in order to keep the overall program cost budget neutral? There is also always the danger with a block grant, or any funding change for that matter, that a future Congress could reduce funding. Would a state then have the option of withdrawing from the block grant?

9. In what broader context is the new financing mechanism being proposed?

The Administration’s foster care block grant is one of four major proposals in its FY 2004 Budget to turn major federal programs over to the states without adequate assurances that key services and protections will be maintained. The Administration also is proposing to cap portions of Medicaid funding, block grant the Section 8 Housing Program for low-income families, and dramatically alter the structure of Head Start without an assurance that comprehensive services will be maintained. These changes all impact some of the same vulnerable families. In fact, the assurance of health care, housing, and quality early childhood services are all preventive services that can help keep families out of the child welfare system. Thus we must ask what we know about the likely outcomes of these proposals and whether the foster care block grant proposal is part of a larger effort to dismantle investments in the most vulnerable children and families.

10. Are there better ways to increase state flexibility and increase preventive, permanency, and post-permanency services for abused and neglected children and those at risk of maltreatment?

Yes, there are better short-term and long-term approaches than the foster care block grant to increase state flexibility and key investments in services and supports necessary to enhance safety and permanence for children. These include alternative approaches to providing flexibility *and* increased resources within the IV–E program and steps that can be taken right now to increase state’s capacity in these areas, all of which are discussed below.

Alternative Proposals for Increasing State Flexibility and Increased Resources to Promote Safety and Permanence for Children

Before describing what we believe can be done immediately, we want to describe an alternative financing scheme that we believe is responsive to many of the questions and concerns just raised. The proposal is in the comprehensive Act to Leave No Child Behind (H.R. 936/S. 448), which is legislation that lays out a comprehensive policy vision for meeting the challenge of giving all children a healthy start, a head start, a fair start, and a safe start in life and successful passage to adulthood with the help of caring families and communities.

Title VIII of the Act to Leave No Child Behind takes important steps towards giving all children a safe start in life and ensuring that they grow up in nurturing, permanent families by giving states increased flexibility *and* expanded investments. It also requires additional steps toward enhanced accountability. It makes clear that federal, state, and local governments should have shared responsibility for ensuring the safety and permanence of all children who have been abused and neglected or are at risk of maltreatment. We look forward to discussing these proposals with both staff and Members of the Subcommittee as you explore other financing alternatives throughout the 108th Congress. Very briefly, Title VIII of the comprehensive Act to Leave No Child Behind:

- **Provides prevention, protection, and crisis services for children** when they first come to the attention of the child welfare system by allowing IV–E funds to be used for these services on a limited basis, eliminating fiscal disincentives that deprive some children of important services, and restoring funding for the Social Services Block Grant.
- **Promotes permanency for children in foster care and expands permanency options for children leaving foster care** by allowing IV–E funds to be used for services to children in foster care and their families, to promote safe reunification or other planned permanent living arrangements as provided for under the Adoption and Safe Families Act (ASFA), and to offer post-permanency services when children are returned home or moved to adoption or other permanent homes. It also offers ongoing Kinship Guardianship Assistance Payments under IV–E to relative caregivers who obtain legal guardianship of the children for whom they cared for in foster care and for whom return home or adoption are not appropriate. It would also help promote adoption and other permanency options by extending IV–E adoption assistance payments to children up to age 19 in certain circumstances, providing that the adoption assistance payments for children must be at least equal to the foster care payment for which the child would have been eligible, and promoting permanency grants to states to help them move their backlog of waiting children to permanent families.
- **Gets rid of long time inequities in the IV–E Programs** by eliminating the AFDC eligibility requirements for both the Titles IV–E Foster Care and Adoption Assistance Programs; providing for a uniform match across all Title IV–E activities; and also allowing Indian Tribes and tribal consortia to be eligible for direct funding under the Title IV–E Programs.
- **Increases accountability within the child welfare system** by requiring states to report regularly to HHS on improvements being made in services and staffing and on the children who are not moving to permanent families in a timely fashion; requiring coordination with the Child and Family Service Reviews; asking external child welfare review boards to report regularly to Congress on how children are faring; and providing fiscal incentives for public child welfare agencies to become accredited.

Steps That Can Be Taken Immediately to Build State Capacity for Safety and Permanence for Children

At the same time the Subcommittee reviews comprehensive proposals like the above, we urge you to take some important steps now that will help to increase the capacity of states to continue working to promote safety and permanence.

The Administration's own proposal to reauthorize and expand the **Adoption Incentive Program** and the proposal to extend the **Child Welfare Waiver Demonstration Program** that was part of the House-passed TANF Reauthorization Bill (H.R. 4), are two proposals that would help states make important improvements now. The Adoption Incentive Program includes alterations to recognize the special efforts needed to help older children in care move to adoption. In the future, CDF would like to see the program expanded further to reward successful state efforts not only to move children to adoption, but also to help children return safely to their families or be placed permanently with kin, the other permanency options recognized in the ASFA. The continuation of the Child Welfare Waiver Demonstration

tion Program, with the improvements already approved by the House, will allow even more states to use their IV-E and IV-B Program funds more flexibly. To date, some states have taken steps to use this flexibility to invest in alternative services, but generally on a smaller scale in selected counties. Much more can be learned from these waiver demonstrations.

We also urge you to approve the provisions in the **Child Protection Services Improvement Act**, H.R. 1534, introduced by Representatives Ben Cardin and George Miller, which will further give states the capacity they need to keep children safe and in permanent families. It offers expanded flexibility to all states in selected areas, addresses gaps in services, improves the quality of the child welfare workforce and staff from related service systems, and enhances accountability. Let us mention briefly some of its specific changes:

- **Expands flexibility for states so that they can provide foster care and adoption assistance for all the children who need it and allows states to provide assistance to children permanently placed with grandparents and other relatives who have been caring for them in foster care.** These are both areas where states have been asking for increased flexibility. The current Title IV-E eligibility rule that requires that children must have been removed from families who were eligible for AFDC according to standards in place in July 1996 makes no sense. The TANF Program has replaced the AFDC program and most states have increased their income and resource guidelines since that time. Recognizing in the first instance that it makes little sense to condition foster care or adoption eligibility on the income of the homes from which abused and neglected children were removed, it certainly makes no sense to require that these families be even poorer than those who would be eligible for TANF in the state. In exploring new financing structures, Congress should certainly ensure that the Federal Government would contribute to assistance for all children. Immediately, however, steps, as proposed in H.R. 1534 could be taken to help eliminate this inequity in current law. H.R. 1534 would eliminate the current requirement that states “look back” to July 1996 in determining eligibility and instead allow states to update their eligibility standards so that eligibility could be based on their current eligibility for the TANF Program.

H.R. 1534 would also allow states to use Title IV-E funds more flexibly to provide subsidized guardianship payments on behalf of children who were in foster care with grandparents and other relatives, for whom return home and adoption have been ruled out, and whose relatives want to care for them permanently. Thirty-four states currently have some sort of subsidized guardianship program that offers help to varying numbers of children. Seven states have been using Title IV-E funds for such programs under the Child Welfare Waiver Demonstration Program and others have expressed an interest in doing the same.

- **Addresses gaps in services by guaranteeing investments in prevention and increasing substance abuse treatment for families who come to the attention of the child welfare system.** H.R. 1534 recognizes that between 40 and 80 percent of the children who come to the attention of the child welfare system have families with substance abuse problems. It draws from bipartisan legislation in the Senate (S. 614) that would provide funds to states where the child welfare and substance abuse prevention and treatment agencies apply together to make improvements on behalf of children and families who come to the attention of the child welfare system. States must indicate how they will use the flexible funds to expand comprehensive substance abuse treatment to the parents and their children, enhance screening and assessment so that families can be directed to the treatment they need, expand after-care services for families in recovery to ensure that safety and permanence are maintained, and enhance training of staff in both systems and the tracking of cases so progress can be documented. It also clarifies that states could use their waiver demonstration programs to expand community partnerships in their states to keep children safe. Finally, the bill ensures that the Promoting Safe and Stable Families Program will receive funding at the full authorization level by making all \$505 million mandatory spending.
- **Supports a quality workforce for abused and neglected children.** H.R. 1534 addresses the turnover rate in child welfare and provides funds for improvements in staff recruitment and retention activities. The General Accounting Office recently reported that the *average* tenure of a child welfare worker is only two years. The bill requires improvements in working conditions, supervision, and training. It also takes steps to expand training under the Title IV-E Program for staff in private child welfare agencies who work with these fami-

lies, court staff, and staff of substance abuse treatment and mental health agencies and domestic violence programs working with children in the child welfare system. S. 2437 and H.R. 734 also address the workforce challenges in important ways.

- **Enhances accountability.** H.R. 1534 takes important steps to make states more accountable for the care they are providing. Certainly news headlines from Florida, New Jersey, Missouri, Delaware, and other states over this past year do little to instill confidence in public child welfare systems. The bill helps to restore confidence in the system by improving the quality of the workforce, targeting resources in the areas where states see they are needed, and strengthening accountability. It provides grants and bonuses to states that are implementing their program improvement plans developed in response to the Child and Family Service Reviews. It also recognizes the importance of having members of the community, and other stakeholders, included in the review process and in the implementation of the Program Improvement Plans. It takes important steps toward getting improved data from the states. It is difficult to ensure that children will get what they need if they cannot track where they are, the type of help they are getting, and their progress over time. This provision complements the recent request from HHS for recommendations for improvements in the Adoption and Foster Care Analysis and Reporting System.

CDF looks forward to working with you to explore further child welfare financing strategies that will benefit children who have been abused and neglected and are at risk of maltreatment. We ask you to examine a range of options, including those in Title VIII of the Act to Leave No Child Behind, to combine the best of them to benefit children.

Thank you.

Statement of Ann Harrmann, Coalition for Family and Children's Services in Iowa, Des Moines, Iowa

On behalf of the Coalition for Family and Children's Services in Iowa, I thank you for the opportunity to respond to the President's proposal for flexible funding for foster care. The Coalition is an alliance of 32 agencies in Iowa that provide most of the direct treatment services to abused and troubled children. Coalition agencies provide services in all counties in Iowa.

Currently abused and neglected children in Iowa are facing a gridlock when they try to get help in the child welfare system. We feel that the federal and state child welfare system as currently structured and funded is adding to harm of children who have already been hurt.

Let me offer one recent example, which unfortunately is all too typical. It is a case of a young girl who has been sexually and physically abused and is waiting to get into group care—in fact, has been waiting to get into group care for 13 months. She has been in emergency shelter and because shelter is meant to be short term, she has been passed from shelter to shelter, knowing no stability, and being further victimized. This cannot be an American value!

There are currently 188 similar Iowa children waiting to get therapy in group care, and the number is growing every day. In the past 2 years, thousands of children did not receive needed child welfare services because \$30 million in state and federal funding was cut from the state budget. Iowa lost about \$12 million in IV-E and IV-B alone. Additionally, 258 foster care beds closed, 82+ services/programs closed, often in rural areas, and 500+ staff are no longer employed in private agencies.

The number of state social workers has been cut back dramatically. Iowa social workers currently have among the highest caseloads in the nation.

The amount of red tape and bureaucratic record keeping required of private non-profit agencies is shocking, keeping many staff documenting every word and action rather than working with children in order to turn their lives around.

We applaud President Bush's proposal to provide more flexibility in the foster care/child welfare system. We believe the goal of the child welfare system should be that children get better, not that every word spoken and every action is documented with just the right words and phrases. Flexibility would indeed help states to help children.

The Coalition also supports being able to use federal funds for child welfare services other than foster care. In Iowa, private and public agencies provide a rich array of child welfare services including family centered services, family preservation,

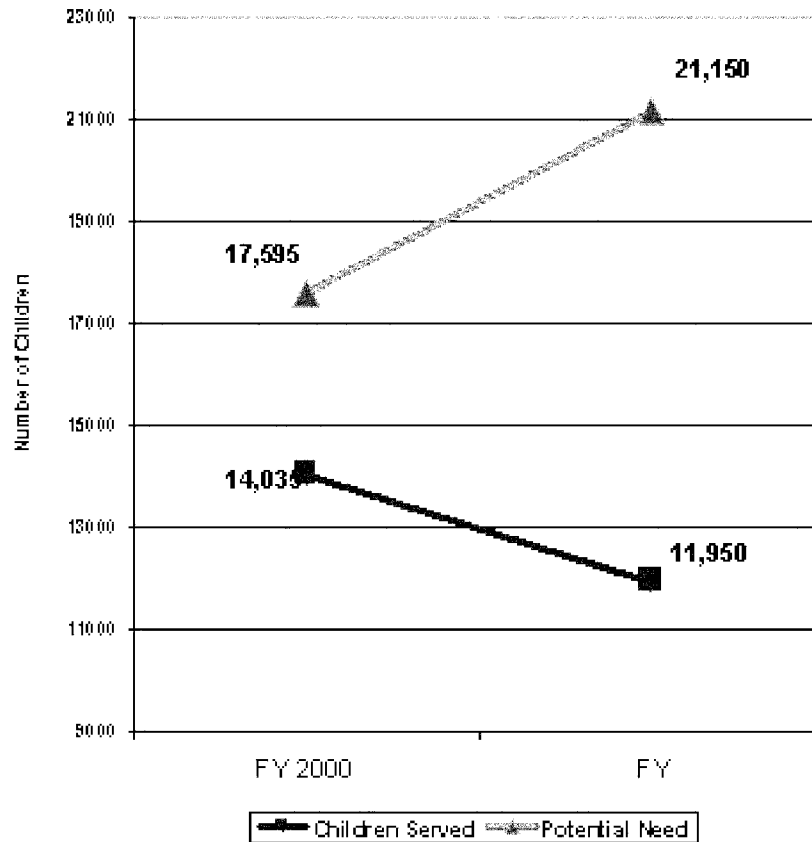
family foster care, partial group care, shelter care, counseling, and group care/residential treatment. We believe that all of these services deserve equal federal participation and are of great value to abused and neglected children.

The Iowa Coalition is concerned about the Administration's proposal for several reasons:

- Flexibility will not take the place of resources. The child welfare system in Iowa (and many other states) is severely under funded. Flexibility will not make up for the \$30–\$50 million that has been stripped from the Iowa child welfare system in the past 2–3 years. **The Federal Government should allocate sufficient resources to improve the lives of abused and neglected children.**
- We haven't seen any proposal to change the "look back" issue. **The formula needs to be changed so that eligibility is not tied to AFDC in 1996.** There is not an AFDC program any longer and 1996 is 7 years ago. Our nation should be about helping all children. This should be tied to an eligibility standard that covers all children in need of care regardless of income.
- If that cannot be accomplished in this fiscal year then tie eligibility to another program such as TANF cash assistance or another program that can be adjusted to address the annual impact of inflation. Costs do increase for everyone in the child welfare system i.e. insurance, heating, housing and staff salaries.
- The provision that allows use of TANF in case of a foster care crisis is unworkable. As noted above, Iowa is already in a foster care crisis. We don't think a contingency fund will help, when additional resources are needed now.
- We believe that child welfare services should remain an entitlement. All abused and neglected children should receive the services they need to become healthy, productive adults.

Thank you for this opportunity to provide testimony on this critical issue.

Potential Need for Services for Children Versus Actual Children Served in Iowa



Family Services of Central Florida
Leesburg, Florida 34748
June 25, 2003

Sub-Committee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Rayburn House Office Building
Room B-317
Washington, DC 20515

Dear Sub-Committee on Human Resources,

During the recent Ways and Means sub-committee on Human Resources hearing for the President's proposal to block grant foster care, several concerns were raised. The Child Welfare League of America has highlighted several of their concerns, but I would like to address two that specifically affect Florida's foster children.

The first concern is the low penetration rate of a block grant. As you may be aware, currently the Title IV-E foster care program provides funding for approximately 47-57% of children in foster care nationwide. This area of concern, as well, does not address the diversity of federal funding sources for child welfare. Under

the current proposal, 76% of federal spending for child welfare would be frozen through 2008. This includes the Title IV–E Adoption Assistance (10%), the Social Services Block Grant (17%), TANF (15%), Medicaid (10%), and Title IV–B, Child Welfare Services and Promoting Safe and Stable Families (5%).

Furthermore, adoption assistance eligibility would continue to be linked to foster care eligibility. If the Title IV–E Foster Care is removed, determining the future eligibility for adoption assistance would be complex and more difficult than it is presently and may result in reducing the numbers of federally supported adoptions from foster care, which in turn, would lead to an increase in the number of children without permanency.

The second concern is the high growth rate in Florida and the growing number of children in foster care in Florida. The Administration's foster care proposal is cost neutral, setting a five-year cap on spending. The proposal does not recognize the need for any new resources (e.g. Staff development and training or prevention programs). According to the President's proposal, states choosing the foster care option would receive a fixed allocation/block grant based on the current 1996 AFDC eligibility standards. This means the allocation/block grant would be based on a declining number of children becoming eligible over the next five years. Based on these standards, states that do *not* choose the child welfare program option would continue to increasingly have to provide state only support for foster care, since federal supports would continue to decrease since fewer and fewer children would be eligible for federal assistance unless Congress acted separately on this issue.

In addition, to access additional funds if states experience a dramatic increase in child welfare caseloads or an increasingly complex caseload with greater needs, the Administration's proposal allows states to access the \$2 billion TANF contingency fund. The trigger that would allow a state to draw down these TANF funds would be based on national *and* individual state increases in foster care. These criteria would not necessarily reflect what is happening in a county or city where the bulk of the foster care population might be found. These emergency relief dollars would divert funds from TANF. If the same event (a recession for example) caused both cash assistance and caseloads to increase, a state may have to choose whether they wanted to fund increases in TANF or foster care.

Along with both of these concerns are the questions about the formula that will be used to determine each individual state share of the fixed amount of funding. Will all states that take the fixed allocation/block grant option and project they will have increased costs over the next five years be eligible to receive increased funds? Will the formula be based on historical claim or actual reimbursements? Since the overall federal allotment is fixed, would some states get less if other states negotiated an increase since certain formulas that benefit one state could result in less funding for another state?

I hope that you will take these issues into consideration as you deliberate on President Bush's Proposal.

Sincerely,

Marlin Livingston
Senior Vice President

**Statement of Sue Diehl and Judith M. Schagrin, Maryland Chapter,
National Association of Social Workers, Baltimore, Maryland**

We appreciate the opportunity to offer comments with regards to the Administration's Foster Care Flexible Funding Proposal. Like so many others interested in child welfare, we value debate about alternative funding strategies.

There is no disagreement that the IV–E funding strategy is broken and needs to be fixed. The administrative costs for establishing eligibility are unacceptable, the "look back" to AFDC eligibility in June, 1996 is dated, and the rigidity of funding discourages innovation. Furthermore, all children in the government's custody need the nation's financial commitment, not just those from impoverished homes. We welcome the interest the Bush Administration has in these issues, and support much needed and long overdue reforms in the nation's child welfare systems. Gambling with child welfare financing, however, is hardly compatible with real reform. We would offer the following concerns:

- There is increasing recognition that a professionally educated, trained, and supervised child welfare workforce is an integral part to achieving the important goals of safety, permanence, and child well-being. The Administration's funding

strategy does not address the child welfare workforce despite a recent GAO report concluding that HHS should be playing a greater role in the recruitment and retention of staff.

- Other studies have demonstrated that child welfare professionals with social worker degrees have higher job performance and lower turnover rates than other workers. One of the most outstanding initiatives to improve the child welfare workforce—IV-E child welfare training partnerships between universities and public agencies—will be undermined by the proposed funding strategy.
- The Federal Child and Family Services Reviews are finding a correlation between frequent caseworker visits with children and positive findings in other areas such as achievement of timely permanence for children in foster care, and indicators of child well-being. Because caseload size drives caseworker contact, genuine reform requires sufficient fiscal resources to insure that nationally recognized caseload standards are met.
- The funding plan touts flexibility as a selling point, painting an optimistic picture of the preventive services that may (or may not) significantly lower the number of children in foster care. Recent studies completed by Chapin Hall and Westat, Inc. questioned the effectiveness of preventive services and no data is available as to the timeframe necessary to develop and implement preventive services. States risk running out of money long before this five year experiment has come to an end.
- Since the success of prevention strategies remains largely unknown, States receiving up-front funding at the outset of the program cycle with the belief that investment in preventive services will result in cost-savings later on are taking an enormous risk. The likely impact is that the fiscal burden will ultimately shift to States already in deep financial distress.
- Under certain circumstances, the proposed fiscal plan would allow States to access additional funds from the TANF Contingency Fund. This pits the needs of the nation's poor children against the needs of the nation's abused, neglected and foster children as this fund, too, is capped.
- With reference to the much promoted flexibility, in a recent publication on child welfare financing, Rob Geen of the Urban Institute pointed out that nationally, 56% of child welfare funding is *already* flexible (SSBG, TANF, IV-B, and state funds not used for matching federal allocations.) Mr. Geen found no direct correlation between availability of flexible funding and front-end services, nor was he able to identify data to support the contention that the result of the Administration's strategy will be effective preventive services.
- In states like Maryland, where 66% of child welfare funding is already flexible, opting into the Administration's plan would likely be imprudent. However, the Administration's plan forces States that opt out to maintain a federal funding strategy that everyone has agreed is wholly inadequate and needs reform.
- Once states opt in for the five year period and receive their fixed allocation, real accountability for federal requirements becomes ephemeral.

In summary, the flexible foster care financing strategy is a wonderfully optimistic but poorly informed proposal. Significantly, the Administration's strategy is not evidence based; assumptions are made about preventive services that have not been borne out by research and experience. If preventive services are not effective or the timeframe for success extends beyond five years, States already experiencing serious financial hardships will be forced to take on even more responsibility for funding critical services for children. Optimally a foster care financing strategy that embraces a genuine commitment by the Federal Government to our children's safety, permanence, and well-being would include:

- support for a quality workforce;
- expansion of university and child welfare agency partnerships;
- incentives to promote innovation;
- lower administrative costs;
- enhanced accountability;
- support for functional data systems;
- an entitlement to funding.

While reforming the federal financing of child welfare services must be a priority, basing a proposal on what amounts to wishful thinking represents an abdication of responsibility for our nation's most vulnerable children. Surely we can do better than this.

Statement of Antonia Hernández, Mexican American Legal Defense and Educational Fund

On behalf of MALDEF, a national Latino civil rights organization, we urge you to remedy the problem of disparate foster care funding for Puerto Rico. We have written to this Congress before about the need to prevent discrimination in the provision of temporary assistance to needy families (TANF). Today, we urge the House Ways & Means Committee to amend H.R. 4 and solve the problem of disparate treatment of Puerto Rican children. It is unconscionable that the abused and neglected children of the island receive much less federal funding than other American children. Foster Care and Adoption Assistance (Title IV-E) should be removed from the welfare cap for Puerto Rico, to assure that children needing foster care are not left behind due to a discrepancy in how they are treated by federal policy.

Puerto Rico has been doing an excellent job to try to ensure the safety of its most vulnerable boys and girls, but current federal law blocks these efforts by capping its IV-E program. For example, Puerto Rico has shrunk backlogs by 88 per cent, and consolidated services for children at high risk in a shelter that combines police, medical and social services. But unlike the U.S. States and the District of Columbia, Puerto Rico's IV-E program is capped, so once the ceiling is reached, it is up to the Commonwealth alone to provide resources for these children. States with populations similar to Puerto Rico are reimbursed \$40 to \$50 million a year for foster care and adoption assistance expenditures; however, Puerto Rico only receives about \$12 million a year. Puerto Rico therefore receives only one quarter of one percent of all IV-E funding, although Puerto Rico has seven times that proportion of the nation's foster kids.

Furthermore, the Commonwealth is currently ineligible to receive its earned adoption bonus. The Commonwealth has been doing outstanding work to place neglected children in safe and loving homes, which also reduces governmental expenditures. Yet, although Puerto Rico earned a federal adoption incentive bonus, this put the IV-E program over the cap for Puerto Rico. In 2002, funding was actually reduced due to excellent performance. This contradicts the very reasons for the adoption incentives, and it is unfair to Puerto Rican children.

If Puerto Rico is treated differently than U.S. states because of various justifications, this is certainly not the fault of the children and the poor. MALDEF urges you to amend H.R. 4 in order to remove the IV-E cap for Puerto Rico, and treat its most vulnerable children in the same way as other American children are treated. Any other discrepancies in TANF funding for Puerto Rico should also be resolved as you process TANF reauthorization this year.

Statement of Elizabeth J. Clark, Ph.D., National Association of Social Workers

Organizational Description

The National Association of Social Workers (NASW) is the largest membership organization of professional social workers in the world, with nearly 150,000 members. NASW works to enhance the professional growth and development of its members, to create and maintain standards for the profession, and to advance sound social policies. NASW also contributes to the well-being of individuals, families and communities through its work and advocacy.

Ninety-one percent of NASW members hold master's degrees in social work, and 92 percent maintain some type of license, certification, or registration in their state; 70,000 also hold advanced credentials from NASW.

Nearly 40 percent of NASW members say that mental health is their primary practice area; eight percent practice in child welfare or family organizations; eight percent practice in the health sector; six percent practice in schools; and another three percent work primarily with adolescents.

Overview

The social work profession has a long tradition of involvement with the child welfare system, and welcomes the opportunity to participate in the current debate about how to restructure system financing to improve outcomes for children and families.

Among NASW's major concerns with the outlines of the President's flexible funding proposal is the possible loss of federal support for educating and training the child welfare workforce. Without the current Title IV-E financing structure, which provides three federal dollars for every state/

local dollar, training is not likely to remain a priority—especially when states are facing record budget deficits. Without a well-trained, competent, and stable workforce, it is nearly impossible to deliver uniformly high quality services.

A number of studies have documented the critical connections between training, competency, and quality services.

- In 1982, a study based on an analysis of the data from the “1977 National Study of Social Services To Children and Their Families” found that workers with social work education were more effective in service delivery than workers with bachelor of arts (BA) degrees or other graduate degrees.^[i]
- In 1987, Booz-Allen & Hamilton Inc. found that the “overall performance of MSWs [master’s in social work] was significantly higher than non-MSWs,” and that “education, specifically holding an MSW, appears to be the best predictor of overall performance in social service work.”^[ii]
- In 1990, a study of social service workers in Kentucky found that staff with social work degrees, either BSWs or MSWs, were better prepared than those without social work degrees.^[iii]
- In 1992, a study on the “Effectiveness of Family Reunification Services” found that, in nearly 40 percent of the cases reviewed, insufficient or inadequate caseworker training or experience was a contributing factor in preventing family reunification.^[iv]
- Those findings were confirmed in a 1993 study that found child welfare staff with BSW and MSW degrees were more effective in developing successful permanency plans for children who were in foster care for more than two years.^[v]

The connection of workforce quality to family outcomes was further documented in a March 2003 report by the U.S. General Accounting Office (GAO). The report, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff,” states, “A stable and highly skilled child welfare workforce is necessary to effectively provide child welfare services that meet federal goals. [However] large caseloads and worker turnover delay the timeliness of investigations and limit the frequency of worker visits with children, hampering agencies’ attainment of some key federal safety and permanency outcomes.”^[vi]

The Administration for Children and Families (ACF) concurred with the GAO’s findings, saying, “ACF’s initial analysis of the CFSR [Child and Family Services Reviews] data involving the first 32 States reviewed makes it abundantly clear that sufficient staff to make regular, substantive contacts with the children and families in their caseloads is essential. A direct relationship was found between the consistency and quality of caseworker visits with the child and family and the achievement of case outcomes evaluated in the CFSR.”^[vii]

Child Welfare Workforce

As it should, the public has high expectations for the child welfare system. Everyday, these agencies make life and death decisions for children and families with complex needs, while striving to meet extensive legal mandates. Much of the burden of these decisions falls to front-line workers and their supervisors.

Child welfare positions are particularly demanding and stressful, often involving unreasonable workloads and low pay, in comparison to jobs in other sectors that require comparable amounts of education and responsibility. Consequently, it is difficult to attract the most qualified employees, those with professional training and experience, and turnover and vacancy rates among child welfare agencies are often alarmingly high.

Standards and policies for child welfare practice that are promulgated by the Child Welfare League of America, the American Humane Association, and NASW

^[i] Olsen, L. & W. Holmes, “Educating Child Welfare Workers: The Effects of Professional Training on Service Delivery,” *Journal of Education for Social Work*, 18(1), 1982.

^[ii] Booz-Allen & Hamilton Inc., “The Maryland Social Services Job Analysis and Personnel Qualifications Study,” Executive Summary, Baltimore: Maryland Department of Human Resources, 1987.

^[iii] Dhooper, S.S., Rose, D.D., and L.C. Wolfe, “Does Social Work Education Make a Difference?,” *Social Work*, 35(1), 1990.

^[iv] Hess, P., Folaron, G. and A. Jefferson, “Effectiveness of Family Reunification Services: An Innovative Evaluative Model,” *Social Work*, 37(4), 1992.

^[v] Albers, E., Reilly, T., & B. Rittner, “Children in Foster Care: Possible Factors Affecting Permanency Planning,” *Child and Adolescent Social Work Journal*, 10(4), 1993.

^[vi] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO-03-357), March 2003.

^[vii] Ibid.

recommend that child welfare administrators and supervisors have a master's degree in social work (MSW) and previous child welfare experience, and that direct service workers have at least a bachelor in social work (BSW) degree.^[viii] However, these standards contrast sharply with reality.

In the 1950s, close to 50 percent of child welfare staff were professional social workers.^[ix] By the 1980s, only 28 percent of child welfare staff had either a BSW (15 percent) or an MSW (13 percent) degree.^[x] A survey of the child welfare workforce conducted in 1998 found that fewer than 15 percent of child welfare agencies require caseworkers to hold either bachelors or masters degrees in social work.^[xi]

In the late 1980s, the failed commitment to employing well-trained child welfare staff was coupled with rising foster care caseloads, rising rates of child abuse and neglect reports, increasing numbers of class action suits, and increased media attention resulting from a number of child deaths.^[xii]

By the mid-1990s, 90 percent of states reported difficulty in recruiting and retaining caseworkers.^[xiii] The major challenges child welfare agencies face in recruiting and retaining front-line workers and supervisors include: low salaries, high caseloads/workloads, administrative burdens, risk of violence, limited and inadequate supervision, and insufficient training.^[xiv]

Worker Turnover

The GAO found that turnover rates of child welfare staff—which affect both recruitment and retention efforts—has been estimated at between 30 percent and 40 percent annually nationwide, with workers' average tenure being less than two years.^[xv]

Turnover rates vary greatly among agencies. In a child welfare workforce survey conducted in 2000, 36 agencies reported annual turnover rates between zero and 20 percent, while 23 agencies reported rates between 50 percent and 600 percent.^[xvi]

One Texas state official reported that because of high turnover, caseworkers with only three years of experience are commonly promoted to supervisory positions, which has caused additional problems. Some newly promoted supervisors have requested demotions because they feel unprepared for the requirements of their jobs, and the caseworkers they supervise have complained of poor management and insufficient support.^[xvii]

In Arizona, a wide gap developed between the demand for child welfare services and the availability of qualified staff to meet this demand. Because of personnel shortages, the Department of Economic Security (DES) was, in some recent years, unable to respond to as many as 25 percent of child abuse and neglect reports deemed appropriate for investigation statewide.^[xviii]

^[viii] National Association of Social Workers, "Addressing the Program and Personnel Crisis in Child Welfare: A Social Work Response," NASW Commission on Family and Primary Associations, 1989.

^[ix] Leighninger, L. & A.J. Ellett, "De-professionalism in Child Welfare: Historical Analysis and Implications for Social Work Education," paper presented at the Council on Social Work Education Annual Program Meeting, Orlando, Florida, March 1998, cited in C. Risley-Curtiss, "Current Challenges and Future Directions for Collaborative Child Welfare Educational Programs," *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

^[x] Lieberman, A.A., Hornby, H., & M. Russell, "Analyzing the Educational Backgrounds and Work Experiences of Child Welfare Personnel: A National Study," *Social Work*, 33(6), 1988.

^[xi] Child Welfare League of America, "Minimum Education Required by State Child Welfare Agencies, Percent, By Degree Type, 1998," *State Child Welfare Agency Survey*, 1999.

^[xii] Zlotnik, J.L., "Preparing Social Workers for Child Welfare Practice: Lessons from an Historical Review of the Literature," *Journal of Health & Social Policy*, 15(3/4), 2002.

^[xiii] U.S. General Accounting Office, "Child Welfare: Complex Needs Strain Capacity to Provide Services" (GAO/HEHS-95-208), based on survey by American Public Welfare Association (APWA), September 1995.

^[xiv] U.S. General Accounting Office, "HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff" (GAO-03-357), March 2003.

^[xv] Ibid.

^[xvi] Alliance for Children and Families, American Public Human Services Association, Child Welfare League of America, "The Child Welfare Workforce Challenge: Results from a Preliminary Study," presented at Finding Better Ways 2001, Dallas, Texas, May 2001.

^[xvii] U.S. General Accounting Office, "HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff" (GAO-03-357), March 2003.

^[xviii] Risley-Curtiss, C., "Current Challenges and Future Directions for Collaborative Child Welfare Educational Programs," *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

Inadequate Training

The good news-bad news about turnover is that, according to a 2000 workforce survey, states estimated that nearly 60 percent of turnover is preventable.^[xix] One way to prevent turnover, which has been documented by a number of studies, is by hiring better-trained staff.

- A study based on the 1987 National Study of Public Child Welfare Job Requirements found that turnover is consistently higher in states that do not require any kind of degree for child welfare positions, and is consistently lower in states that require an MSW.^[xx]
- A 1990 study in Florida found that workers without educational preparation for child welfare work were most likely to leave within one year of being hired.^[xxi]
- A 1994 study in South Carolina found that social work education (particularly graduate social work education) reduces workers' burnout, a major cause of staff turnover.^[xxii]
- A 1995 study in Ohio found that, among nine variables predictive of worker retention, three of the most important were: training; having had an internship in public child welfare as part of preparation; and agency support (including strong supervision).^[xxiii]
- A 1998 study examining the reasons child welfare workers remain in their positions longer than two years found that—in addition to concern for, and satisfaction in, helping children—the two most decisive factors in employee retention were social work education and the climate of the work environment, including supportiveness of supervisors and peers. More than 80 percent of those who stayed beyond two years had completed at least one social work degree.^[xxiv]

Low Salaries

Another major obstacle to recruitment and retention is the fact that child welfare agencies often are forced to compete for workers with institutions that pay higher wages and offer safer and more predictable work environments.

The Bureau of Labor Statistics' national wages survey reports that elementary and middle school teachers earn, on average, about \$42,000 annually, while "social workers" earn about \$33,000. One county official in Texas reported that teachers now earn starting salaries of about \$37,000, while entry-level caseworkers earn about \$28,000 annually, a difference of about 32 percent.^[xxv]

One private agency in California reported that foster care workers with MSWs who worked in group residential care facilities, which provided structured living arrangements and treatment services for children with complex needs, earned \$5,000 to \$30,000 less than school counselors, nurses, and medical- and public-health social workers.^[xxvi]

According to the 2000 workforce survey, the average annual salaries for public child protective services workers is \$33,000 and, for private agency staff, \$27,000. For child welfare supervisors in public agencies, the average annual salary is \$42,000 and, in private agencies, \$40,000.^[xxvii]

^[xix] Alliance for Children and Families, American Public Human Services Association, Child Welfare League of America, "The Child Welfare Workforce Challenge: Results from a Preliminary Study," presented at Finding Better Ways 2001, Dallas, Texas, May 2001.

^[xx] Russell, M., "1987 National Study of Public Child Welfare Job Requirements," Portland, ME: University of Southern Maine, National Resource Center for Management and Administration, 1987.

^[xxi] Child Welfare League of America, "Florida Recruitment and Retention Study," 1990.

^[xxii] Anderson, D.G., "Coping Strategies and Burnout Among Veteran Child Protection Workers," Doctoral dissertation, University of South Carolina, 1994.

^[xxiii] Harrison, S.G., "Exploration of Factors Related to Intent to Leave Among Child Welfare Caseworkers," Doctoral dissertation, Ohio State University, 1995.

^[xxiv] Cicero-Reese, B. & P. Black, "Research Suggests Why Child Welfare Workers Stay on the Job," *Partnerships for Child Welfare*, 5(5), February 1998.

^[xxv] U.S. General Accounting Office, "HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff" (GAO-03-357), March 2003.

^[xxvi] *Ibid.*

^[xxvii] Alliance for Children and Families, American Public Human Services Association, Child Welfare League of America, "The Child Welfare Workforce Challenge: Results from a Preliminary Study," presented at Finding Better Ways 2001, Dallas, Texas, May 2001.

High Caseloads/Workloads

In California, Illinois, Kentucky, and Texas, agencies reported that their inability to retain staff has contributed to their existing unmanageable caseloads.^[xxviii] Those four states are not alone.

The Child Welfare League of America (CWLA) recommends a caseload ratio of 12 to 15 children per caseworker, and the Council on Accreditation (COA) recommends that caseloads not exceed 18 children per caseworker. However, a national survey found that caseloads for individual child welfare workers ranged from 10 to 110 children, with workers handling an average of about 24 to 31 children each—double the recommended number.^[xxix]

Contributing to the workload problem is the increasing complexity of cases. Drug and alcohol abuse most often co-occurs with a finding of abuse or neglect, but it is rarely the only serious issue. Poverty, substandard housing, mental illness, domestic violence, and HIV/AIDS are also often present.^[xxx]

One former private agency worker in Delaware reported that, although caseloads were manageable, the complexity of each case was a problem. And one former county worker in California said that cases are becoming increasingly difficult, and caseworkers are no longer able to do “social work.” This caseworker also said that the amount of work and stress is endless, and limits the amount of time she has to perform her job well.^[xxxi]

Risk of Violence

Another difficulty facing today’s child welfare workers is the constant risk of violence. According to a 1998 national study of front-line caseworkers, more than 70 percent had been victims of violence or threats of violence in the line of duty. In a peer exit interview process conducted in one state, 90 percent of its child protective services employees reported that they had experienced verbal threats; 30 percent experienced physical attacks; and 13 percent were threatened with weapons.^[xxxii]

According to public agency caseworkers in Texas, their salaries do not reflect the risks to personal safety they face as part of their work. These caseworkers reported that, given the safety risks they are exposed to daily, they should be given hazardous duty pay, similar to workers in other high-risk professions.^[xxxiii]

Federal Support for the Child Welfare Workforce

Federal support for child welfare workforce began with enactment of the Social Security Act (SSA) in 1935. The U.S. Children’s Bureau awarded SSA grants to states to strengthen child welfare services and promoted professionalism of child welfare employees by encouraging educational leave for workers to study in schools of social work. As of 1939, at least 35 states and Hawaii had granted educational leave to people to attend graduate schools of social work.^[xxxiv]

Today, the Federal Government’s primary support for training continues to be through its funding of two Social Security Act programs—Title IV–B, Section 426 and Title IV–E both still administered by the Children’s Bureau.

Title IV–B, Section 426 Child Welfare Training Program

The Title IV–B, Section 426 Child Welfare Training Program was formalized in the SSA Amendments of 1962, as a response to a perceived workforce shortage for

^[xxviii] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

^[xxix] Alliance for Children and Families, American Public Human Services Association, Child Welfare League of America, “The Child Welfare Workforce Challenge: Results from a Preliminary Study,” presented at Finding Better Ways 2001, Dallas, Texas, May 2001.

^[xxx] U.S. Department of Health and Human Services, 1999, cited in C. Risley-Curtiss, “Current Challenges and Future Directions for Collaborative Child Welfare Educational Programs,” *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

^[xxxi] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

^[xxxii] American Federation of State, County, and Municipal Employees, “Double Jeopardy: Caseworkers at Risk Helping At-Risk Children: A Report on the Working Conditions Facing Child Welfare Workers,” 1998.

^[xxxiii] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

^[xxxiv] Leighninger, L. & A.J. Ellett, “De-professionalism in Child Welfare: Historical Analysis and Implications for Social Work Education,” paper presented at the Council on Social Work Education Annual Program Meeting, Orlando, Florida, March 1998, cited in C. Risley-Curtiss, “Current Challenges and Future Directions for Collaborative Child Welfare Educational Programs,” *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

graduate level social workers who are prepared for—and interested in— working in public child welfare.^[xxxv]

Under the IV–B program, grants are awarded to public and private nonprofit institutions of higher learning, usually social work education programs, to develop and improve the education, training, and resources available for providers of child welfare services. These grants are used to upgrade the skills and qualifications of child welfare workers through their participation, full-time or part-time, in training programs focused specifically on child welfare practice.

Guidelines for the program vary from year to year, depending on the Children’s Bureau’s analysis of need. Priorities for fiscal year 2003 grants, which were announced earlier this month, include practice in rural communities, training for American Indian and/or Alaskan Native public child welfare staff, effective models for staff recruitment and retention, and training for healthy marriage and family formation.^[xxxvi]

The Section 426 program is the only one of six child welfare discretionary grant programs managed by the Children’s Bureau with a specific emphasis on staff training. In fiscal year 2002, even after funding increases in the late 1990s, the training program received the second smallest share—nine percent—of the Children’s Bureau’s total discretionary funds.^[xxxvii]

Program funding reached a high of \$8 million in 1978, was cut by more than 50 percent (to \$3.8 million) in 1982, and stayed at that level for many years. Funding was not increased until 1995 when it jumped to \$4.6 million and then was cut again in 1996 to \$2 million. Strong advocacy resulted in an increase to \$4 million in 1997; \$6 million in 1998; and eventually to \$7 million, where it stands today.

According to a leading expert on the program, “The 426 program has served as an important catalyst for innovations in child welfare training and to stimulate the preparation of social work students for child welfare careers. However, the competitive nature of the grant program, the narrow categories for which applicants are sought each fiscal year, and the limitations of a \$7 million annual appropriation restrict its beneficiaries to a small cadre of states and social work education programs.”^[xxxviii]

Title IV–E Child Welfare Training Program

The Title IV–E child welfare training program represents a much greater federal investment in the child welfare workforce than Title IV–B. Created as part of the Child Welfare and Adoption Assistance Act of 1980, Title IV–E is a valuable tool to address the child welfare-staffing crisis and ensure that staff have the competencies necessary to perform their jobs.

Under the program, the Federal Government demonstrates its support for training by providing an enhanced federal match of 75 percent (other administrative costs are matched at 50 percent) to fund training programs both for current and prospective child welfare staff. In addition to short-term and long-term training and direct financial assistance to students, this funding also may be used for curriculum development, materials and books, and incentives for recruitment.

Although the program was created in 1980, it was not until the early 1990s that Children’s Bureau staff became aware of the real opportunities provided by Title IV–E training funds.^[xxxix] In fiscal year 1990, Title IV–E provided about \$44 million to states to train child welfare workers.^[xl] By fiscal year 2001, 49 states received \$276 million in Title IV–E training reimbursements. These reimbursements ranged from a low of approximately \$1,400 in Wyoming to a high of more than \$59 million in California, with the median reimbursement approximating \$3.1 million.^[xli]

^[xxxv] Zlotnik, J.L., “Preparing Social Workers for Child Welfare Practice: Lessons from an Historical Review of the Literature,” *Journal of Health & Social Policy*, 15(3/4), 2002.

^[xxxvi] U.S. Department of Health and Human Services, Administration for Children and Families, “Program Announcement No. ACYF/CB–2003–01,” Federal Register, 68(111), June 10, 2003.

^[xxxvii] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

^[xxxviii] Zlotnik, J.L., “The Use of Title IV–E Training Funds for Social Work Education: An Historical Perspective,” *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

^[xxxix] *Ibid.*

^[xl] U.S. General Accounting Office, “Foster Care: Federal Policy on Title IV–E Share of Training Costs” (GAO/HRD–94–7), November 1993.

^[xli] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

University-Agency Training Partnerships under Title IV-E

According to the GAO report, the university-agency training partnerships, funded by Title IV-E, present promising practices for addressing the staffing crisis in child welfare. It is a finding with which HHS concurred: “[A]lthough few in number, the ACF funded university and State child welfare agency partnerships referenced in this report have had a positive impact on State child welfare agencies’ ability to recruit and retain child welfare staff.”^[xliii]

These partnership programs are designed to prepare social work students for careers in the child welfare profession, and to develop the skills of current workers. The programs require that students receiving stipends for the study of child welfare commit to employment with the state or county public child welfare agency for a specified period of time. The length of the contractual employment obligation—usually one to two years—and the curriculum content each program offers, differ by state and sometimes by university.

A survey conducted in 1996 found that 68 university social work programs in 29 states were accessing IV-E funds for BSW and MSW education.^[xliii] Today, it is estimated that partnerships exist in over 40 states, and use more than \$50 million, to prepare workers for the challenges of child welfare service delivery.^[xliv]

While relatively few in number, available studies on the impact of Title IV-E training partnerships suggest that they improve both worker retention and worker competence.^[xlv]

Improved Worker Retention

One study, which tracked four groups of students who participated in a training partnership, found that 93 percent continued to be employed in the child welfare profession—and 52 percent remained with public agencies—well beyond the minimum required by their employment obligation.^[xlvi]

Findings were similar in evaluations of programs in Kentucky and California. Evaluations in both states found that more than 80 percent of participants remained with the state agencies after their initial work obligations concluded. In Kentucky, whose collaboration includes nine of the state’s undergraduate social work schools and the Cabinet for Families and Children, state officials attribute their retention rates, in part, to the intensive coursework, formal internships, and rigorous training included in the curriculum of the training partnerships. California’s collaboration consists of the state’s 15 graduate schools of social work, the Department of Social Services, county welfare directors, and the California Chapter of NASW.^[xlvii]

In Texas—where six universities offer both BSW and MSW stipends, five offer BSW stipends only, and one offers only MSW stipends—graduates of one participating program were surveyed. The survey found that 70 percent of respondents were still employed with the agency after their contractual employment obligation expired.^[xlviii]

Improved Worker Competence

The program evaluations in Kentucky and California suggest that the training partnerships improved worker competence. In both states, evaluations found that staff hired through specially designed Title IV-E programs performed better on the job and applied their training more deftly than employees hired through other means.

Controlling for undergraduate grade point averages, the Kentucky study found that those who completed the training scored better on the agency’s test of core com-

^[xliii] Ibid.

^[xliii] Zlotnik, J.L. & L. Cornelius, “Preparing Social Work Students for Child Welfare Careers: The Use of Title IV-E Training Funds in Social Work Education,” *Journal of Baccalaureate Social Work Education*, 51, 2000.

^[xliv] Zlotnik, J.L., “The Use of Title IV-E Training Funds for Social Work Education: An Historical Perspective,” *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

^[xlv] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO-03-357), March 2003.

^[xlv] Robin, S.C. and C.D. Hollister, “Career Paths and Contributions of Four Cohorts of IV-E Funded MSW Child Welfare Graduates,” *Journal of Health and Social Policy*, 15(3/4), 2002.

^[xlvii] Barbee, A.P., “Creating a Chain of Evidence for the Effectiveness of Kentucky’s Training System,” For the Child and Family Services Review, March 2003; and N. S. Dickinson and R. Perry, “Do MSW Graduates Stay in Public Child Welfare? Factors Influencing the Burnout and Retention Rates of Specially Educated Child Welfare Workers,” The California Social Work Education Center, University of California at Berkeley, August 1998.

^[xlviii] Scannapieco, M. and K. Connell-Carrick, “Do Collaborations with Schools of Social Work Make a Difference for the Field of Child Welfare? Practice, Retention, and Curriculum,” *Journal of Human Behavior in the Social Environment*, 2003.

petencies. Kentucky supervisors reported that they considered students certified by the partnership to be better prepared for their jobs than other new employees.^[xix]

The California study reported that students who participated in the partnership training scored higher on a test of child welfare knowledge, reported greater competency in their work, and had a more realistic view of child welfare work than those who had not participated.^[i]

In Louisiana, research found that Title IV–E participants score higher on child welfare competency exams than control groups, have higher rates of retention with the agency, and score higher on supervisor evaluations of their work preparation.^[ii]

Recommendations

Over the years, NASW has advocated for a number of improvements to increase the effectiveness of the Title IV–E program. The association continues to support those changes, but believes they should be made within the current financing structure. Our recommendations for improvements include:

1. **Eliminating requirements for cost allocation based on the percentage of the Title IV–E eligible caseload:** All children in the system benefit by better qualified staff, not only children from families meeting the 1996 AFDC income test.
2. **Expanding eligibility for training content:** Eligible training should include all areas related to meeting the federal goals of safety, permanence, and well-being, and should not be limited to training related to out-of-home placement.
3. **Expanding access for reimbursement to private universities:** In many jurisdictions, social work education programs at private universities are the most geographically accessible for child welfare workers. However, direct financial participation by private universities is prohibited, which limits access to quality training programs for many child welfare staff.
4. **Expanding the 75 percent reimbursement rate to include all real costs of training, both direct and indirect, including the costs of administering the training program:** Current limitations significantly reduce the number of colleges and universities able to provide the required matching funds.

Conclusion

With or without the recommended improvements, it is clear that the current Title IV–E child welfare training program is critical to re-professionalizing the child welfare system. Continued strong federal support for this program and others designed to create a well-trained, competent, and stable child welfare workforce will be even more critical in the future, as states develop and implement Program Improvement Plans (PIPs) to meet outcomes measured in the Child and Family Services Reviews.

In response to the March 2003 GAO report, HHS noted that “a number of States have identified strategies that target workforce stabilization and reduction in case-loads as part of their PIPs,” but acknowledged that “the Federal Government has limited resources to offer States in these efforts.”^[iii] While additional resources are clearly needed, now is not the time to jeopardize the current federal funding available to assist states in their efforts to educate and train their child welfare staff.

Again, we appreciate the opportunity to provide the social work perspective on child welfare financing, and look forward to participating in the debate as the issue moves forward.

For additional information, please contact Cynthia Woodside, senior government relations associate, 202–336–8324 or cwoodside@naswdc.org.

^[xix] Fox, S., Miller, V. & A.P. Barbee, “Finding and Keeping Child Welfare Workers: Effective Use of Training and Professional Development,” *Journal of Human Behavior in the Social Environment*, 7(1/2), 2003.

^[i] Jones, L.P. and A. Okamura, “Reprofessionalizing Child Welfare Services: An Evaluation of Title IV–E Training,” *Research on Social Work Practice*, September 2000.

^[ii] Ellett, B. and K. Gansle, “Louisiana Title IV–E Program Begins Evaluation Process,” *Partnerships for Child Welfare*, 5(5), February 1998.

^[iii] U.S. General Accounting Office, “HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff” (GAO–03–357), March 2003.

Statement of Richard Wexler, National Coalition for Child Protection Reform, Alexandria, Virginia

I am pleased to have the opportunity to submit written testimony concerning the Bush Administration's foster care funding flexibility plan on behalf of the National Coalition for Child Protection Reform, a non-profit child advocacy organization dedicated to making the child welfare system better serve America's most vulnerable children.

We are a very small organization, with no particular interest in becoming another big non-profit bureaucracy. But what we lack in size, we make up for in track record. We were the only national child advocacy organization to predict the collapse of the Florida child welfare system—three years before it happened—because we knew that the child welfare agency there was embarking on the same course that had led other states and localities to disaster.

And we are proud to have been the only child advocacy organization, aside from the event sponsors, singled out for thanks by Rep. George Miller at the Child Welfare Summit he helped to organize last year.

There is much more about us at our website, www.nccpr.org. But there's something else you should know about us.

We're liberals—and in my case, at least, a tax-and-spend liberal at that.

But when an Administration with which we often disagree comes up with a plan that has the potential to be the biggest change for the better in federal child welfare policy in 23 years, we'd rather put ideology aside and help make it work than jerk our knees in opposition before anyone has even seen the fine print.

The story of one child and his mother explains why this change has the potential to be so important.

This is what a single mother in The Bronx named Rose Mary Grant had to do every week for many, many months, just to see her 11-year-old son, Issa, as described in a keenly-observed story in the Westchester County, N.Y. *Journal-News*.

“Starting from her brick apartment tower, Rose walks a block to Gun Hill Road, takes the 28 bus to the subway station, catches the 5 train to Harlem, makes her way down 125th Street, boards the Metro-North train to Dobbs Ferry, and rides a shuttle . . . At each step, she places two metal crutches ahead of her and swings forward on two prosthetic legs.”

The journey would have been worth it, had there been something worthwhile at the end of the line. But there wasn't. Issa was warehoused at a “residential treatment center.”

Issa is not paranoid, he's not schizophrenic, he's not delusional. The only label pinned on him is Attention Deficit Hyperactivity Disorder. Sometimes, at home, he was seriously out-of-control. But his handicapped, impoverished single mother couldn't do what middle-class and wealthy families do: find a good psychiatrist and hire home health aides.

She couldn't do that because the Federal Government does almost nothing to help pay for such alternatives. But, in many cases, the Federal Government, in other words, the American taxpayer, will gladly reimburse states between 50 and 79 cents for every one of the 86,000-or-more dollars it costs to keep children like Issa in his “RTC.”

Now consider another case, described in the cover story of the June issue of the outstanding trade journal, *Youth Today*. EMQ Children and Family Services used to be just like the place that warehoused Issa. But ten years ago, they admitted to themselves that what they were doing was not helping children. So they shut down 100 of their 130 beds and came up with far better alternatives for the children. They wound up helping more children at less cost and getting far better outcomes. Another institution, called Youth Villages in Tennessee won a national award for doing the same thing. Keep in mind that the children they helped in their own homes or foster homes are the very same children that the child welfare establishment—what I have come to call, “the foster care- industrial complex” insists absolutely cannot be helped anyplace except in their institutions.

But both Youth Villages and EMQ encountered the same problem: For years, even though their alternatives were better and cheaper, they couldn't get reimbursement from their states. EMQ almost went out of business.

There are many cases that don't involve institutions at all, but do involve needless use of foster care.

Contrary to the common stereotype, most parents who lose their children to foster care are neither brutally abusive nor hopelessly addicted. Far more common are cases in which a family's poverty has been confused with child “neglect.” Other cases fall on a broad continuum between the extremes, the parents neither all vic-

tim nor all villain. What these cases have in common is the fact that there are a wide variety of proven programs that can keep these children in their own homes, and do it with a far better track record for safety than foster care itself.

But financial incentives at the federal, state and sometimes local level—plus the power of the “foster care-industrial complex” marginalize these alternatives.

Documentation for this, and other problems related to the widespread confusion of poverty with child “neglect” can be found in our Issue Papers at www.nccpr.org.

To many liberals, the confusion of poverty with child “neglect” is the single biggest problem in child welfare. That confusion is encouraged by federal funding formulas.

The giant federal entitlement program for foster care—Title IV-E—is about ten times larger than the primary “funding stream” used to prevent foster care, Title IV-B.

The Bush Administration proposes to change that. And what are many of my fellow liberals doing? Jerking their knees in opposition.

I will not go into the details of the plan here—to the extent that we know them—the Subcommittee already is familiar with them.

There are many legitimate questions about this plan, and no one should endorse it without qualification until they are answered. Most of the questions involve arcane but important details you have heard about in other testimony. They fall under headings like “maintenance of effort” and “eligibility lookback.” But that is a reason to wait for the details, negotiate, and then take a position. Instead, in much of the child welfare community, the response boils down to: “Whatever it is, we’re against it.”

In some cases, that’s naked self-interest. Of course the Child Welfare League of America is opposed—their member agencies hold children in foster care. The Residential Treatment Center that held Issa so long and so needlessly is a prominent member.

States and localities typically tell these agencies that their first job is to return these children safely to their own homes or, if that is not possible, find them adoptive homes. But if they do that, those same states and localities will stop paying them. The states say they want permanence, but they pay for limbo, reimbursing agencies for every day they hold children like Issa in foster homes or institutions.

You have undoubtedly heard and read a great deal about the “addiction” problem in child welfare, and that problem is indeed serious. But the biggest addiction problem in child welfare isn’t substance-abusing parents. The biggest addiction problem in child welfare is politically powerful, old-line, well-established child welfare agencies with blue-chip boards of directors that are addicted to per-diem payments and addicted to institutionalization as the only answer for too many children. And these agencies are putting their addiction ahead of the needs of the children.

And the biggest “enabler” of this addiction is the Federal Government, with its “open spigot” of money for substitute care, and far, far less for anything other than substitute care.

Breaking an addiction is extremely difficult. One first has to get past the addict’s denial. So it’s no wonder that so much of the foster care-industrial complex is opposing this plan without even seeing it.

Sadly, even the Children’s Defense Fund, an organization whose past work in child welfare has been heroic, has lost its way on this issue. Without waiting for the fine print, CDF has lumped this good idea in with some bad ideas in the Bush budget and denounced all of them—in apocalyptic terms. The CDF website has included material claiming that the plan would “dismantle” foster care. That is preposterous. There is no way that a purely voluntary plan that, in some cases, will give states more money than they would get under the status quo, can “dismantle” foster care. Such claims only undermine CDF’s credibility when the organization seeks, rightly, in my view, to prevent budget cuts in other areas.

The opposition to this proposal has consisted of a shameful collection of fear, smear, and scare stories.

- First of all, this is not a “block grant” in any meaningful sense of the term. Under a block grant, several different funding streams are combined, states are allowed to use the money for any purpose covered by any of those funding streams—and, often, some money is cut from the total.

This plan involves only one portion of one funding stream—Title IV-E foster care funds. This money could be spent on prevention and adoption. But the other funding streams remain separate. Title IV-B funds for prevention, for example, cannot be used for foster care. This “IV-B firewall” is a crucial feature of the plan. Were IV-B and IV-E to be combined, the “foster care-industrial complex” would grab the prevention money to use for more foster care. This

plan recognizes that danger. In the absence of this firewall we would oppose the plan.

- Second, this plan not only does not cut funding, in some cases, funding may go up. Under this plan, states would receive the same, agreed-upon amount of money for each of the five years. In contrast, states that stick with the status quo will find that the proportion of foster care costs covered by the Federal Government will decrease, as a result of the “eligibility lookback.”
- And perhaps most important, this plan is strictly voluntary. Though states that opt in must stay in for five years, any state that feels it’s not getting a good deal can walk away from the table and stick with the status quo. If the fine print matches the broad outlines, governors and child welfare leaders who have the guts and imagination to try something with so much potential to do so much good, should have the right to do so, without being held back by their timorous colleagues and a foster care establishment with a huge vested interest in the status quo.

As I said at the outset, there are legitimate questions about this plan, and we cannot endorse it until we see the details and see if they match the promise of the proposal’s broad outlines. But because the plan is strictly voluntary, it doesn’t have to be ideal to be worth offering to the states.

Some of the key questions include: How will the emergency fund work? How will it be triggered? Is it adequate? (It may, in fact, be adequate for some states and not others; that’s the beauty of a voluntary plan).

Ideally, I would like to see states able to opt out in fewer than five years, and I’d like an emergency fund that would be more reassuring to states than the ideas discussed so far. But again, that may someday be a reason for some states not to take part in the plan, it is not a reason to deny any state the chance to participate by strangling the plan before anyone has even seen it.

Some of my liberal friends have argued that Congress should support legislation introduced by Representatives Benjamin Cardin and George Miller instead.

They’re half right.

These representatives have been tireless champions for children, and they have introduced a bill with some good provisions, increasing funding for crucial prevention programs. But this bill and the Bush Administration plan are not mutually exclusive. If the fine print in the Bush plan lives up to the broad outlines there is no reason that Congress shouldn’t support this plan *and* the good provisions of Cardin-Miller.

But Cardin-Miller also has a provision likely to backfire. It ties some of the aid to states’ performance on Child and Family Service Reviews (CFSRs). Unfortunately, though well-intended, the CFSR process is deeply flawed. The sample size is far too small to accurately measure state performance. And in at least one crucial instance, the incentives in CFSRs perversely encourage poor performance.

The CFSRs measure reducing average length of stay in foster care, but they do not measure success in keeping children out of foster care in the first place. As a result, this measure rewards states or localities with hair-triggers for removals. These states remove children at the drop of a hat. Then they realize that many of the children didn’t need to be taken and return them—much the worse for the experience—in a month, or two, or three. As a result, the *average* length of stay looks low.

In contrast, a state that takes family preservation seriously will truly remove children only as a last resort. As a result, the problems in those children’s birth families will be genuinely serious and are likely to take more time to resolve—if they can be resolved at all. So in these states, average length of stay will be longer, even though those states actually may be doing a better job.

The Administration is aware of these problems, and may be able to fix them when the next round of CFSRs take place. But until we know that, it would be counter-productive to base aid to states upon performance using these flawed measures. And that is one of the things the Cardin-Miller bill proposes to do.

Others have said that financial incentives don’t really affect child welfare decision-making anyway. (I wonder if they also believe HMOs have no affect on health care decisions?) These tend to be the same people who benefit most from the status quo. If they’re right, they have nothing to worry about, and the Bush plan is a great way to put their claim to the test.

But in fact, I think they’re worried about the nation as a whole seeing the same kind of success as is now being seen in the State of Illinois.

In 1997, Illinois had one of the worst child welfare systems in the country. Illinois had 51,000 children in foster care—proportionately more than any other state. Today, the foster care population in Illinois is under 22,000—and, proportionately,

below the national average. At the same time, and this is most important, child safety has improved.

If you thought that was all due to adoption, it's understandable. Since that's the part of the story that is most popular politically, it is the part that state officials like to tell the most. But the biggest change in Illinois is that the state is taking far fewer children in the first place—and it has changed financial incentives to get children back into their own homes faster.

Illinois no longer simply pays private agencies for each day they hold a child in foster care. Instead, agencies are rewarded financially for keeping children safely in their own homes or finding them adoptive homes. They are penalized financially for letting children languish in foster care. Once Illinois changed the payment system, lo and behold: The “intractable” became tractable, the “dysfunctional” became functional the foster care population plummeted and, as I said, child safety improved.

Some have argued that the very fact that Illinois managed to do this under the current system shows that there is no need to change federal financial incentives. However:

- Illinois is an exception. It required rare and extraordinary guts and imagination, combined with an unprecedented child welfare crisis, before the state could summon the strength to fight its “foster care-industrial complex” and accomplish real reform.
- Illinois was among the first states to take advantage of waivers offered by the Department of Health and Human Services and among the most creative in their use.

In order to accomplish its reforms, Illinois had to swim against the tide of federal policy as reflected by where the Federal Government puts its money. If we really want to change child welfare and improve the prospects of America's most vulnerable children, then the tide of federal policy needs to turn toward reform, so states that want to do better are swimming with the tide instead of against it.

If the fine print matches the broad outlines, then the Bush plan offers the potential to do just that.

Statement of Thomas C. Atwood, National Council For Adoption, Alexandria, Virginia

Chairman Herger, the National Council For Adoption thanks the House Ways and Means Sub-Committee on Human Resources for the opportunity to submit a written statement regarding the important topic of “The Bush Administration Foster Care Flexible Funding Proposal.” Although there are details still to be determined, in our view the principles articulated in this proposal would be a significant step forward in America's efforts to develop new and better ways of serving children in foster care.

The National Council For Adoption (NCFCA) is a research, education, and advocacy nonprofit whose mission is to promote the well-being of children, birthparents, and adoptive families, by advocating for the positive option of adoption. Since our founding in 1980, NCFCA has been a leader in promoting sound child welfare and adoption policies that make it easier for children to be adopted out of foster care into families, present adoption as a positive option for women with unplanned pregnancies, reduce obstacles to transracial adoption, make adoption more affordable through the tax credit, and facilitate intercountry adoptions. NCFCA's 1996 monograph, “Foster Care: Too Much, Too Little, Too Early, Too Late,” by Dr. Carol Statuto Bevan, contributed much to the intellectual basis for the Adoption and Safe Families Act of 1997 (ASFA).

While reaffirming the commitment to family reunification when appropriate, ASFA clearly established the priority of child safety. ASFA reformed the child welfare system to promote more timely permanency decisions to help prevent children from languishing in foster care. ASFA encourages adoption out of foster care with incentives for states, and it expanded support services to foster and adoptive families. ASFA gave the Department of Health and Human Services tools for producing greater accountability and innovation in the child welfare system.

ASFA's results have been positive. The number of children adopted out of foster care rose from 31,000 in FY 1997 to 50,000 in FY 2001. ASFA has been a successful policy for tens of thousands of former foster children who would not otherwise have been adopted into their forever families. However, while we have made significant progress in addressing the needs of children in foster care, there is still much to

be done. As of September 30, 2001, there were 542,000 children in foster care, of whom 126,000 were waiting to be adopted.

The tide of children needing foster care is, unfortunately, all too steady. Moreover, as we find homes for more children, the children who remain in foster care may tend to be more difficult to place. Not all children will find adoptive homes, especially those who are older. These realities accentuate the need in our child welfare system for increased child and family services in the areas of recruitment, training, and education of adoptive and foster parents, pre- and post-placement counseling and services for children and families, vocational and job training for older foster care populations and for those aging out of foster care, and counseling foster youth for independent living and for prevention of substance abuse and other harmful behaviors.

The Bush Administration took creative steps in addressing the needs of older children in foster care with its initiatives to provide education and training vouchers for youth who age out of foster care and to increase states' financial incentives for placing for adoption foster children age 9 and up. The vouchers offer youth a chance to extend their education and improve their possibilities of succeeding as self-sufficient adults. States' increased incentives to place children 9 and up will improve this vulnerable population's prospects for adoption. The Department of Health and Human Services has found that from age 9 on, a child's likelihood of remaining in foster care is greater than the likelihood of being adopted.

The President's foster care flexible funding proposal is a logical next step in addressing the needs of the evolving population of children in foster care. This new Child Welfare Program Option would allow states to maintain the federal funding of their foster care program as is, or to receive these funds as a flexible grant over five years, to support a range of child welfare services. The proposal's funding flexibility, including the option of up-front funding, offers states the opportunity to be timely and effective in addressing the particular concerns and needs of their respective foster care populations and systems.

The flexible funding proposal is consistent with a proven model for federal-state partnerships: The Federal Government provides goals, incentives, standards, and accountability; the states determine the best ways to achieve them, given the particular needs and circumstances of their respective states. This model for federal-state partnership has worked in many policy areas and can also work in serving the needs of children in foster care, and of their families and caregivers. The flexible funding proposal recognizes that it does not serve the best interests of children and families for the Federal Government to dictate a one-size-fits-all policy for our diverse 50 states. The states have important perspectives on the needs of the children and families served by their respective child welfare systems. The Federal Government must work with the states to make safe and stable homes a reality for all children.

Given the flexibility, states will direct their federal foster care dollars in various ways depending on the particular needs of their respective populations. The flexible funding should be sufficiently inclusive as to allow states to use the funds for such programs and child and family services as:

- Recruitment, training, and education of adoptive and foster parents.
- Pre- and post-placement counseling and services for adoptive and foster children and families.
- Vocational counseling and job training and placement for older foster care children and for those aging out of foster care.
- Counseling foster youth for independent living and prevention of sexual abuse and substance abuse.

If Congress grants states the flexibility recommended in this proposal, states are likely over the next five years to develop creative and effective approaches that address these concerns.

Finally, it should be noted that the proposal provides safeguards against possible negligence of states' foster care populations by requiring states to: adhere to the child safety protections mandated by ASFA; maintain existing levels of investment in their child welfare programs; and continue to participate in the Administration for Children and Family's Child and Family Service Reviews. Congress should ensure that the policy is sufficiently inclusive to allow states to spend their federal foster care dollars on the areas of greatest need, such as foster and adoptive family training and recruitment, pre- and post-placement counseling, and vocational training and life skills counseling for older foster children.

President Bush's flexible funding proposal recognizes the crucial importance of the federal-state partnership in developing effective solutions that meet the needs of children in foster care, and of their families and caregivers. While reducing states'

administrative burdens, it offers states a useful tool to structure their child welfare programs in ways that support the ongoing priorities of safety, timely permanency, and improved well-being for children and families. While protecting against a reduction of resources spent on foster care, the proposal allows states the opportunity to target their foster care resources in ways best suited to their respective populations' and systems' needs. The President's flexible funding proposal is a logical next step for America's child welfare system.

**Statement of Raul Yzaguirre, National Council of La Raza, as submitted by
Sonia M. Pérez**

Introduction

My name is Sonia M. Pérez and I am Deputy Vice President of the National Council of La Raza (NCLR); I also oversee the activities of NCLR's Puerto Rico regional office. NCLR is the largest national Latino research and advocacy organization in the U.S.; and works to reduce poverty and discrimination and improve life opportunities for the estimated 38 million Hispanics living on the mainland U.S. and the nearly 4 million people in the Commonwealth of Puerto Rico through our network of 300 local affiliate community-based organizations and 33,000 individual associate members.

For more than 15 years, NCLR has been engaged in research and public information efforts on poverty, social policy, and related issues affecting Latino families. In particular, NCLR has researched and written extensively on the experience of Latina women and their children with public assistance, as well as on the impact that welfare reform has had on Hispanic families in the U.S. mainland and in Puerto Rico. Through its research on welfare reform issues, NCLR has learned that significant disparities in funding for social welfare programs exist between Puerto Rico and the 50 states, despite the Island's high level of poverty and the significant challenges faced by poor families and children.

Background

The Commonwealth of Puerto Rico faces unique social and economic conditions that significantly impact the well-being of the U.S. citizens living on the Island, and, particularly, the Island's children. For example, according to the U.S. Census Bureau:

- Almost half (48.2%) of the total population lives below the poverty level.
- About three in five (58.3%) children in Puerto Rico are poor—the only U.S. state, territory or commonwealth with a higher child poverty rate is American Samoa (67%).
- More than one-quarter (27%) of families in Puerto Rico are headed by a female householder.

In addition, Puerto Rico has experienced slower economic growth and significantly higher unemployment than the States—even during the economic boom of the 1990s. According to the latest data from the Puerto Rico Department of Labor, the Island had a 12.1% unemployment rate in May.

Child Welfare in Puerto Rico

Poverty and other social and economic factors have placed many children at risk, not only of poor educational, social, and health outcomes, but also of abuse and neglect. While data on child abuse, neglect, and foster care have not always been systematically collected for Puerto Rico, data from the Puerto Rico Department of the Family indicate the following:

- The Commonwealth received 71,617 child abuse and neglect complaints in fiscal year 2002.
- At the end of 2002, there were roughly 9,555 children in foster care in Puerto Rico.
- Abused and neglected children are cared for in approximately 3,380 certified foster homes.
- To maintain this level of care, the Commonwealth spends \$25.5 million in payments to foster families alone, at an average monthly maintenance payment of \$325.

Funding Limitations

One of the most significant challenges that Puerto Rico faces in trying to address these issues is low funding. Local government funds help to meet some of the need, but as is the case with other states, federal monies greatly help to offset the administrative costs and payments to families providing foster care to children who have been abused or neglected.

While children who have been removed from their families are entitled to foster care and adoption programs and assistance under the Title IV–E Foster Care and Adoption Assistance Program in the States, foster care is not an entitlement in Puerto Rico. The Title IV–E program falls under the Section 1108 cap, which restricts total welfare funding to Puerto Rico, creating a ceiling for several unrelated programs, including TANF and Assistance for the Aged, Blind and Disabled (Puerto Rico's substitute for Supplemental Security Income, from which the Commonwealth is excluded). This means that aid to abused and neglected children competes with assistance to the Island's poor families, the disabled, and seniors.

The funding limitations placed on the Title IV–E program in Puerto Rico have far-reaching consequences. For instance, States with populations similar to Puerto Rico receive \$40 to \$50 million in reimbursements per year for their foster care and adoption assistance expenditures, whereas Puerto Rico is only reimbursed roughly \$12 million a year. Also, the Congressional Budget Office (CBO) projected that the federal share of monthly maintenance payments averaged \$564 for foster care, making Puerto Rico's average federal share of \$152.50 only 27% of the national average.

Puerto Rico has not been able to take advantage of the adoption assistance program to the same extent as the states: in 2000, 88% of all children adopted out of foster care received adoption subsidies, while in Puerto Rico, the rate was 19%. According to the CBO the projected average federal share of monthly maintenance payments was \$283 for adoption assistance, however, the average federal share in Puerto Rico was only \$90. The Commonwealth spent approximately \$500,000 in Adoption Assistance payments in 2002, for 255 special needs children. Nearly one in three of these children were assisted with state-only funds. Adoption assistance payments for children adopted in Puerto Rico range from \$107 to \$300 a month, with an average of \$180. Federal funding in this area has become so restricted, that when Puerto Rico earned a bonus for increasing adoptions, the basic IV–E grant was reduced, because of the impact of the welfare cap on the program, in order to provide the Island with the \$218,000 performance incentive.

Taken as a whole, the limitation on federal funding for Puerto Rico's child welfare system has created significant challenges in its efforts to care for vulnerable children, which range from limited and outdated case management capacity, insufficient communications between regional offices because of inadequate technology, and poor management and follow-up systems. In the end, the lack of federal funds, technical assistance, and general support means that too many children in need of services in Puerto Rico fall through the cracks.

Foster Care Flexible Funding Proposal: Disadvantages for Puerto Rico

NCLR believes that members of Congress must consider the unique barriers facing Puerto Rico's child welfare system, particularly in light of the President's proposal for offering an alternative financing option to the current Title IV–E program. This proposal would not enhance Puerto Rico's ability to serve children who are neglected or abused. Specifically, the proposal does not consider the following:

- **There are existing disparities for federal funding for these services between Puerto Rico and the 50 states.** The problem facing Puerto Rico's child welfare system is severely limited federal contributions, due to the Section 1108 cap. As discussed above, Puerto Rico is unable to serve its existing populations well because of competing needs.
- **The current low federal contribution would undermine the establishment of an appropriate baseline for any proposed foster care block grant.** In the last three years, Puerto Rico received \$10 to \$12 million in federal funding for foster care and adoption assistance. Since the foster care block grant would be based on previous federal reimbursements, the baseline would preserve the historic inequity in funding and would result in inadequate resources for Puerto Rico to care for children who are abused or neglected.
- **A block grant will aggravate the problem of low funding levels in Puerto Rico.** While the President's proposal to block-grant foster care funding is purported to provide states with increased flexibility in using federal funds to support a broader range of families and prevention and treatment activities, such claims would not apply to Puerto Rico. Because the Island currently receives inadequate federal funds for the breadth of services provided to the Is-

land's poor, abused and neglected children, extending eligibility and broadening the range of activities would result in greater competition for funding and services than presently exist. Such an approach would further strain already limited resources.

- **Elements of the flexible foster care funding proposal do not apply to Puerto Rico.** The President's proposal includes a provision that would allow States to access additional funding through the TANF contingency fund if specific crisis conditions are met. However, Puerto Rico is not authorized to participate in the TANF contingency fund. Therefore, this provision could not be used to benefit children in need.

The Title IV-E Foster Care and Adoption Assistance Program was established as a state-federal partnership to ensure that abused and neglected children receive the services needed to be safe. However, because Title IV-E funding falls under the Commonwealth's federal welfare cap, Puerto Rican children in need of these services have no entitlement to federal aid—rather they must compete with the poor, blind, aged and disabled for limited federal funding.

NCLR supports two directions for responding to these deficiencies:

- **Remove the Title IV-E program from Puerto Rico's welfare cap.** In order for Puerto Rico to reach parity with other states and meet the existing needs in this area, the Title IV-E program should not be considered as part of the Island's overall "welfare" cap. Such a measure is a critical step in strengthening Puerto Rico's partnership with the Federal Government and shoring up its ability to provide appropriate levels of support and protection for these children.
- **Assess and enhance funding levels for foster care, adoption, and abuse/maltreatment services for children in Puerto Rico based on existing needs.** In addition to the funding disparities outlined above, the President's proposal would be largely inaccessible to the Commonwealth due to the Section 1108 cap. The question of how best to address the serious child welfare issues in Puerto Rico should not be determined by faulty formulas or proposals that do not apply to the Island, but instead by examining the serious deficiencies, backlogs, and inadequate services that prevent the current system from protecting the most vulnerable children in Puerto Rico.

Statement of Manuel Mirabal, the National Puerto Rican Coalition

On behalf of the National Puerto Rican Coalition (NPRC), a non-profit organization representing the interests of the seven million Puerto Rican U.S. citizens on the mainland and the Island of Puerto Rico, I would like to express my appreciation to the Chairman and the Committee for their attention in addressing a pressing issue: meeting the needs of the nation's abused and neglected children.

I am confident that the Committee will work to ensure that no child is left behind as you design this important legislation. However, I would like to focus my remarks on the island of Puerto Rico, where the Foster Care situation is very unique. While IV-E Foster Care and Adoption Assistance is an entitlement throughout the states, funding is severely limited in Puerto Rico due to a cap on Foster Care and two unrelated programs. TANF, Aid to Aged, Blind and Disabled (the program the Island has instead of SSI) and Foster Care and Adoption Assistance fall under one arbitrary cap. This cap is so restrictive that Puerto Rico has never received reimbursement for eligible administration, placement and training cost in IV-E, nor was it able to receive additional funding under the Adoption Incentive Bonus the Island earned in 2002. Similarly, Puerto Rico bears most of the costs of providing health care to children in Foster Care due to a federal funding cap on Medicaid. Due to these funding restrictions, the Island has had to face difficult challenges in meeting the needs of abused and neglected children. Fortunately, the government of Puerto Rico has made it a priority to care for these children by investing additional resources into the program.

While I am encouraged by Puerto Rico's efforts, it is unrealistic to expect the Island to continue to bear this disproportionate financial responsibility in meeting the needs of these children. In Puerto Rico, the child poverty rate is 58 percent, with 630,000 poor children. In cases where parents are unable or unwilling to care for them, these children should not be left behind.

The need for federal support is undeniable as many Puerto Rican children are subject to some type of mistreatment. For example, in 2002, there were 30,000 complaints of abuse and neglect and 10,000 children were in the Foster Care system.

Yet, while states with populations similar in size to Puerto Rico are reimbursed from \$40 to \$50 million, the Island receives approximately \$12 million per year. It is essential that resources are provided to ensure that children are not trapped in high risk environments.

To remedy the federal funding inequity, NPRC recommends the following:

- Remove IV-E Foster Care from the Section 1108 cap. Due to the cap, Puerto Rico could not even receive the adoption incentive bonus earned last year without having to cut the IV-E Foster Care basic grant. Further, Puerto Rico only receives 0.26 percent of total federal IV-E dollars, yet 1.7 percent of the nation's foster children reside on the Island.
- Exempt Medicaid expenditures for IV-E foster children from the Medicaid Cap. The states receive federal support for Medicaid costs associated with providing health care to children in IV-E Foster Care. However, in Puerto Rico, the Federal Government only contributes approximately 15 percent of eligible Medicaid costs due to the funding cap.

As the Committee moves toward crafting legislation to meet the needs of the nation's at-risk children, I hope you will use this opportunity to remedy the inequities the Island faces when providing for this population of children.

Statement of Lynn Olund, Brimson, Minnesota, Paula Katzenmeyer, Hutchinson, Minnesota, Debbie Retterath, Adams, Minnesota, and Deborah Trotter, Aitkin, Minnesota

This written testimony is in response to the Foster Care Flexible Funding Proposal that had a hearing on June 11, 2003. As an interested human service professional and citizen concerned for the well being of our nation's children, I would like to make a few short comments.

1. The professionalism of child welfare workers and consistency in child welfare practice are major concerns, judging from the statistics and testimony already provided to the committee.
2. Child welfare worker turnover contributes to both of these concerns. Turnover has been connected to a lack of support due to a shortage of proper training and excessive workloads. Administrative duties also compete for time spent with children in need.
3. Retention of seasoned workers through the provision of consistent training and support will contribute to the improved safety and the well being of the most vulnerable members of our society, our children. They depend on us now, as we will depend on them in the future. With ongoing training, policy will be interpreted correctly and practice will be followed accurately, helping to insure that all children will receive equal care and oversight, improving their chances for success, or even survival. Workers who are trained will have the confidence and competence to make the most efficient use of their time, reaching more children in need, and minimizing their own stress in achieving positive outcomes.
4. If the flexible funding proposal is followed, we will be moving away from the safeguards listed above, and moving toward the likelihood that child welfare workers will be frustrated in their efforts and make misjudgments that affect the safety of the children under their responsibility.

I was a front line worker in county social services until I accepted my present position as a community trainer of social services agencies. The reason I was interested in taking my present position was my own experience of the frustration of good workers trying to follow policy and do the best work possible, while not always having sufficient training support to be sure what the best practices are. In my current position, our project team conducted a satisfaction survey of workers who have received support and training. The response was consistently positive regarding assisting workers with meeting their responsibilities. Having been both a worker and trainer, I know the value and necessity of training. I know how much more productively time is used when workers are clear as to their obligations and they know where to receive support from resources about difficult situations. Training partnerships are invaluable in solving some of the worst dilemmas we face in improving child welfare outcomes. These outcomes are so important since they represent real children who are counting on us.

Thank you.

Statement of Carol Emig, Pew Commission on Children in Foster Care

The nonpartisan Pew Commission on Children in Foster Care was launched on May 7, 2003 under the leadership of former Congressmen Bill Frenzel and Bill Gray. This expert panel of experienced legislators, child welfare administrators and providers, judges, parents, and youth, is committed to improving outcomes for some of the nation's most vulnerable children by developing practical, bipartisan recommendations related to federal financing and court oversight of child welfare. It will report those recommendations in 2004.

For the purposes of this hearing, this statement primarily addresses the Commission's work on federal financing. It is important to note, however, that court practices are also an integral part of our work.

The Commission shares Congress' desire to protect children who have experienced abuse and neglect and provide them with the safe and permanent homes that all children deserve. While changes in financing won't solve every problem in child welfare, thoughtful change could enable every state and community to do a better job of supporting the healthy development of these very vulnerable children.

The Pew Commission on Children in Foster Care is committed to developing—quickly—a set of practical, evidence-based recommendations. Our work has been greeted with interest and excitement across the policy and political spectrum. This enthusiasm reflects consensus in the policy and practice communities that the current financing structure does *not* effectively promote the Adoption and Safe Families Act's (ASFA's) goals of safety, permanence, and well-being for children, as well as widespread interest in the development of thoughtful, new recommendations for reform. The Commission will therefore carefully examine a broad array of financing options to develop recommendations that will promote good outcomes for children. In doing so, we intend to learn from information that is just now emerging from states and communities that have experimented with different financing structures, including those with federal waivers. States and communities clearly differ in their circumstances and approaches, and the Commission's recommendations will take these differences into account. We welcome input and suggestions and will be posting information for submitting ideas to the Commission on our web site shortly.

Every member of the Pew Commission is committed to developing recommendations that have a strong likelihood of adoption. We share Congress' frustration over the current child welfare system and its urgency to do a better job for children and families. We also know that progress in this arena occurs only when there is strong bipartisan agreement. That is the experience of ASFA and the Promoting Safe and Stable Families Act. Our goal, therefore, is to develop practical, evidence-based recommendations that will earn broad, bipartisan support among policy makers and will improve outcomes for children.

About the Commission

The Pew Commission on Children in Foster Care will focus its recommendations in two targeted areas:

- Improving existing **federal financing mechanisms** to facilitate faster movement of children from foster care into safe, permanent families and to reduce the need to place children in foster care.
- Improving **court oversight of child welfare cases** to facilitate better and more timely decisions affecting children's safety, permanence, and well-being.

Timeline and Process. The Commission will report recommendations by summer 2004—sooner, if possible. The Commission held its first meeting in May 2003. It will meet again in September and November 2003, and as often as necessary in the first several months of 2004.

In light of this short timeline, we will request that interested parties submit suggestions or ideas this summer for consideration by the Commission. Guidelines for these submissions will be posted on the Commission's website, www.pewfostercare.org.

The Pew Commission on Children in Foster Care is committed to developing recommendations that will earn the support of Congress, federal agencies, states, courts, and communities. The Commission will therefore consult closely with representatives of the Administration, members of Congress, the Governors, state legislators, the major judicial associations, state and local child welfare directors, and major professional associations. These contacts are already underway.

Funding for the Commission. The Commission is supported by a grant from The Pew Charitable Trusts to the Georgetown University Public Policy Institute.

Statement of Prevent Child Abuse America, Chicago, Illinois

Prevent Child Abuse (PCA) America appreciates this opportunity to submit testimony on the title IV–E funding proposal put forth by the Bush Administration in its FY 2004 budget plan. We hope this testimony will be of assistance to the Subcommittee as it considers improvements and reforms to the child welfare system over the coming weeks and months.

PCA America is the leading organization working at the national, state and local levels to prevent the abuse and neglect of our nation's children. By valuing children, strengthening families and engaging communities, PCA America works with its chapters in 36 states and the District of Columbia to prevent child maltreatment before it occurs.

As you are well aware, each year approximately three million children are reported to be abused and neglected; about one million of these reports are ultimately substantiated. We also know that abuse and neglect exacts an enormous toll on children. In addition to the physical and emotional harm inflicted, children who are maltreated suffer higher rates of school failure, feelings of worthlessness, aggressive behavior, detention, and incarceration. It is also known that child abuse and neglect causes a substantial drain on resources and services. In a landmark study released in 2001, PCA America discovered that today child abuse and neglect costs American taxpayers \$258 million per day, or more than \$94 billion per year. Put another way, the consequences of child abuse and neglect cost every American family more than \$1,400 each year.

Since the Administration has yet to release a detailed description of its title IV–E proposal, this testimony reflects our general thoughts on the objectives, rather than the specifics, of the flexible funding option.

Increased Flexibility

As we understand the Administration's proposal, states will be able to choose between continuing to receive title IV–E foster care funds as an uncapped entitlement or opting into a five-year, fixed-sum block grant. The block grant option would give states greater discretion on the use of title IV–E funds, so that states would no longer be obliged to spend all of the dollars on out of home care. Instead, states could use title IV–E to fund up-front efforts to prevent child abuse and neglect from occurring in the first place.

The move toward flexible funding addresses one of PCA America's primary concerns with the way child welfare is currently financed—that the overwhelming focus of the federal response to child maltreatment is on out of home care. As you know, there is a tremendous imbalance between what is invested to prevent abuse and neglect before it happens and what is spent on care and services after abuse or neglect has occurred. This is not to say that investments made in treating and intervening on behalf of abused and neglected children are too high or less vital to protecting children and families. On the contrary, the incidence and nature of child abuse and neglect, coupled with requirements put in place by the Adoption and Safe Families Act (ASFA) and other recent reforms, can well exceed the financial capacity to respond to, let alone prevent, child maltreatment.

The block grant option would allow foster care funds to support a broader range of services to children and families, including front-end prevention services intended to reduce the number of children coming into the child welfare system in the first place—services, it should be noted, that have historically been under funded. As the leading national advocate for child abuse and neglect prevention, PCA America fully supports a more flexible use of federal funds that allows for a full continuum of services while emphasizing the value of prevention, if this approach provides sufficient funding to support the full continuum of services.

Whether or not states participating in the block grant option will actually invest title IV–E funds in prevention services is quite another matter. Cash-strapped states, in particular, may not have the resources to do so over the long term. Because the Administration's proposal is budget neutral, additional federal investments are not anticipated under the plan. We are thus mindful of existing block grants, such as Temporary Assistance to Needy Families (TANF), Social Services Block Grant (SSBG), and Comprehensive Community Development Block Grant (CCDBG), which have not kept pace with inflation, resulting over time in a considerable erosion of their financial value to the states. If a similar block grant for title IV–E fails to keep pace with inflation, the Administration's proposed policy will predictably decrease the federal investment in title IV–E over time and thereby increase the financial exposure of the states.

The prospect of a diminished federal commitment to child welfare is particularly troublesome given the current demands on state child welfare systems. Since pas-

sage of ASFA and implementation of Child and Family Services (CFS) reviews, states have also been asked to address child welfare shortfalls by making substantial and costly system improvements. No additional resources have been provided to carry out such improvements, although Representative Cardin has proposed state grants for this purpose in H.R. 1534. Since the child welfare system is generally under funded and the demands on state systems are increasing, it is doubtful that the Administration's title IV-E proposal makes sufficient provision for the necessary investments in child welfare intervention, system reform, and child maltreatment prevention.

An additional issue addressed by the Administration's proposal is the application of outdated AFDC standards to the determination of title IV-E eligibility. Currently, title IV-E foster care funds cover maintenance payments for just over half of the children in out of home care. This is because eligibility for title IV-E is tied to AFDC standards which predate the 1997 welfare reform law. The elimination of the AFDC look-back requirement will increase the number of children determined eligible for title IV-E services. Still, without new federal investments and faced with increasing financial pressures, states may not have enough resources to support front-end services even if they are allowed by law to do so. That said, we applaud the Bush Administration as well as Representative Cardin for eliminating the AFDC look-back requirement in their respective proposals.

Finally, the efficacy of child maltreatment prevention is demonstrated, but its economic value is realized only over the long-run. So, it is unlikely that increased investment in child maltreatment prevention will result in immediate and commensurate cost savings in out of home care. Indeed, it is more likely that increased prevention and early intervention services will have a case-finding effect in the near-term, possibly enabling earlier and more effective intervention. Hence, the Administration's proposal neither ensures increased investment in funding for child maltreatment prevention services or sufficient time for states to realize the economic benefits of such investment were they to make them.

Capped Funding

Our general concern with the Administration's proposal stems from the financial risk transferred to states electing to participate in the block grant option. While enjoying greater flexibility to use title IV-E funds for a broader range of services including up-front prevention, these states would also relinquish the title IV-E entitlement status and assume greater financial risk should foster care caseloads increase in the future.

At a general level, block grants afford states increased discretion in the use of federal funds, but also transfer primary financial risk from the Federal Government to the states. In a period of stable or decreased demand for child welfare services, a block grant option may allow states greater latitude to redirect funding, possibly in support of prevention services and other front-end investments. On the other hand, in a period of increased demand and/or escalating costs for child welfare services, the block grant option may expose participating states to considerable financial risk. Even stable caseloads may result in increased costs for states if the block grant is not structured to keep pace with inflation.

Conclusion

Many important details of the Administration's proposal are not yet known. How will state block grant allocations be determined? Will all foster children continue to be Medicaid eligible? What criteria will have to be met before states can access the TANF contingency fund? We look forward to hearing more about proposed changes to title IV-E and working with our networks to consider the merits of the Administration's proposal.

We appreciate the Subcommittee's consideration of child welfare improvements this session and its increased attention to the value of prevention.

Statement of Dean Jesse J. Harris, University of Maryland School of Social Work, Baltimore, Maryland

Thank you for this opportunity to submit written testimony regarding the Bush Administration's Foster Care Flexible Funding Proposal. **The purpose of this letter is to urge Congress to closely examine the specifics of the Bush Administration proposal, and, and avoid the rush to "do something" without the type of scrutiny that is necessary to bring about true reform.** I am writing from my perspective as Dean of the University of Maryland School of Social Work

and a social work educator in one of the largest schools of social work in the nation. Our faculty members have national reputations as practitioners, researchers, and educators in child welfare practice and policy. In addition, our School has developed a highly successful partnership with the Maryland Department of Human Resources, with federal financial assistance through Title IV-E of the Social Security Act to educate the next generation of public child welfare professionals, who are the backbone of any child welfare system, and ultimately responsible for producing the outcomes of child welfare programs identified in the Adoption and Safe Families Act of 1997 (ASFA).

Although the Administration has not yet submitted specific statutory proposals, I have had the opportunity to review a number of the features of the Administration's proposals circulated in press releases. It is commendable that the Bush Administration seeks to streamline federal financing for foster care. The current system, based on foster children's eligibility for AFDC, is cumbersome and costly for the states and Federal Government to administer. A review of this method for calculating federal financial assistance to provide care and planning for a permanent, safe, and healthy family situation for abused children in state custody is long overdue. **I am, however, deeply concerned that the cornerstone of the Federal Government's responsibility for abused, abandoned, and neglected children is being dismantled without an opportunity to thoroughly examine how its replacement will impact vulnerable children, their families, and state agencies responsible for providing services to this population.**

Analyses that have examined alternative funding proposals over the past 10 years, (Improving Child Welfare Agency Performance through Fiscal Reforms: An Assessment of Recent Proposals; Geen, The Urban Institute, 2003) have concluded that any fiscal reform must be understood from the perspective that the current system is chronically under funded: "Experts agree that child welfare agencies are severely under funded given the ever expanding scope of their responsibilities" (Courtney 1997, Myers, 1994, Primus 2000; Schorr 1997). Thus, reform proposals should not seek to drastically reduce federal expenditures needed to protect our nation's children and seek permanent homes for children in state custody.

Flexibility of funding, while desirable, will not, in itself, address the complex needs of children in foster care. In fact, most states, including Maryland, already have funding flexibility for the majority of child welfare programs. This has not diminished the number of children entering care, due in part, from growing substance abuse problems among the child-bearing population, and the inadequacy of community based substance abuse and mental health treatment programs. Moreover, there is no evidence to suggest that federal child welfare financing strategies have any effect on decision making on the case level. **Therefore, a proposal that encourages states to draw down future child welfare dollars on the promise that funding flexibility will decrease funding needs in the future, may be seriously flawed and may result in a fiscal crisis of unprecedented proportions for child welfare programs in the future.**

Of great concern to me is the unanswered question of how the current proposal would address child welfare workforce issues. The primary resource need for the child welfare system is its workforce. Yet, a recent GAO report (March, 2003), notes that child welfare agencies suffer from chronic high turnover and staff shortages. In this report, the GAO's analysis of HHS's state child welfare agency reviews in 27 states showed that large caseloads and worker turnover delay the timeliness of investigations of child maltreatment, limit the frequency and quality of worker visits, and hamper attainment of other key federal safety and permanency outcomes. The GAO concludes, **"A stable and highly skilled child welfare workforce is necessary to provide child welfare services that meet federal goals."** The GAO recommended that HHS take action that helps child welfare agencies address recruitment and retention challenges through University Training Partnerships, accreditation of state & local child welfare agencies, and leadership and mentoring programs. Research has indicated that State-University Partnerships, such as our Title IV-E Education for Public Child Welfare Program, produce a highly trained, competent workforce prepared to carry out the missions of child safety, permanence, and well-being, outlined in ASFA. **Any proposals to reform federal financing strategies should include set asides for this critical purpose.**

Historically, the Federal Government has provided leadership in setting standards for the provision of child welfare services, oversight, and accountability measures that have resulted in improved services to children and families across the nation. The nation's children and families continue to need this level of leadership from Washington.

Thank you for your consideration.

Statement of Voice For Adoption

Voice for Adoption (VFA), a nationwide, not-for-profit, membership organization dedicated to speaking out for our nation's waiting children, appreciates the opportunity to share our concerns with the Committee about the Bush Administration's foster care proposal. VFA believes that the child welfare system is in great need of real reform; however, we are waiting to take a position until a formal proposal is introduced as legislation.

VFA appreciates that the Administration's proposal is optional and does not force states to enroll in a five-year capped alternative funding program. We believe that many states would choose to stay with their current entitlement system if the proposal were enacted.

VFA is concerned that any attempt to cap a program that already has limited resources will be detrimental to the children and youth in the child welfare system.

Since the proposal has not been introduced in Congress, VFA sees an opportunity to work with the Administration by offering suggestions for the proposal that we believe would most benefit children and families.

Suggestions

Maintain current funding levels (with cost of living adjustments). In the past Congress has taken resources from block grants to fund other unrelated projects or reduced the funding levels of block grants. A good example of this is the Social Services Block Grant (SSBG), which is a vital source of federal funding for child welfare services. States have seen the funding levels for SSBG drop 31 percent, from \$2.5 billion in 1997 to \$1.725 billion in 2001. VFA is concerned that any block grant or capped allotment for Title IV-E would experience a similar reduction, further limiting the ability of states to meet the needs of vulnerable children and families.

Completely delink Title IV-E eligibility from AFDC guidelines. VFA applauds the fact that the Administration's proposal addresses the need to de-link Title IV-E foster care eligibility from 1996 Aid to Families with Dependent Children (AFDC) eligibility standards. However, we are concerned that the proposal would only de-link Title IV-E eligibility for foster care, not for adoption assistance, and only for states that opt into the new program. VFA urges the Committee to consider eliminating the same eligibility for adoption assistance. All families that adopt foster children meeting the state's definition of special needs should receive financial support and services. De-linking eligibility for foster care and not adoption assistance would create an administrative nightmare for states.

In addition, having the funding formula for the five year allotment be based on estimates of Title IV-E eligible children using the current 1996 AFDC requirements seemingly defeats the purpose of updating the eligibility standards, as states will have less money to provide services for a larger population of eligible children.

Mandate specific funds for vital services. Giving states flexibility in how they spend their Title IV-E foster care funds should not mean that states don't invest in keeping families together and preventing children from entering into foster care. While states are likely to come up with creative uses for the flexible funding, it is still important to target resources to specific areas such as post-adoption services, family recruitment, and other adoption activities.

VFA agrees that Title IV-E is restrictive and inhibits state innovation. We urge Congress and the Administration to consider expanding Title IV-E to include funding post-adoption services to help families who adopt special needs children. Title IV-E money can be used for case management for children in foster care, but once children are adopted, there needs to be Title IV-E funds available for ongoing case management to provide post-adoption services to families who adopt children from foster care. Ongoing services to families and children before, during and after adoption papers are signed are critical in promoting the well-being of families and minimizing the possibility that adoptions will fail. Comprehensive counseling, support groups, case management and educational and advocacy services assist families who have adopted with strengthening and preserving the family.

Create an independent, unmatched emergency fund. Under the Administration's proposal, states that experience an increase in foster care caseloads may access emergency TANF funds. The TANF emergency fund would be the source of relief for two separate programs. Additionally, there is a 50 percent match of state dollars to federal dollars. States are experiencing the worst financial crisis in decades. Some states will not attempt to access the emergency funds due to the matching requirement. The triggers to use the emergency funds would not necessarily reflect what is happening in a county or city where the bulk of the foster care population might be found.

Offer a few opportunities to opt in and out of the program. Under the Administration's proposal, states would have only one chance to opt into the program. Once a state is in the program, it cannot opt out. More flexibility to opt in or out would make the program more attractive to states. VFA is also concerned that localities and counties would not have input if their states decide to take the flexible financing option.

Keep the Adoption Incentive Program independent. VFA supports and applauds the Administration's efforts to reauthorize the Adoption Incentive Program at \$43 million, and to target incentives to place older children in care. However, we also urge lawmakers not to attach the reauthorization of the program to the flexible funding proposal. The Adoption Incentive Program is considered one of the most innovative provisions in AFSA. It encourages states to find adoptive homes for waiting children who are legally free for adoption by granting a financial incentive for each foster child that the state places in adoption. During the past five years, states reinvested millions of dollar in adoption incentive payments in adoption programs, including post-adoption services, family recruitment, and adoption promotion and support.

As Congress begins to review the Administration's Foster Care Financing proposal, we hope that the above suggestions will be considered. Also, it is important to remember that the bipartisan Pew Commission on Children in Foster Care was created recently, and will recommend reforms to the foster care financing system in 2004. VFA encourages Congress to also review the outcomes from Title IV-E waiver recipients. These waivers demonstrate a variety of what does and does not work. Using all available resources will aid lawmakers in their efforts to address the crisis in foster care.

