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Child Welfare Funding Flexibility: The Need to Reauthorize and Expand Federal IV-E Waivers¹

In 1994, Congress authorized the Secretary of Health and Human Services (HHS) to approve waivers to IV-E rules for the purpose of funding demonstration projects in state or county child welfare systems. The goal was to generate new knowledge regarding innovative child welfare practices by allowing agencies to use IV-E funds flexibly for support of child welfare services and activities other than foster care and for rigorous evaluation of demonstration projects. Flexible funding waivers have been associated with large reductions in foster care populations and better outcomes for children involved with the child welfare system. It is time for Congress to reauthorize these waivers.

What are Title IV-E Funds?

Title IV-E is the category of federal regulations that governs federal funding of foster care and adoption support. Title IV-E funds a percentage of foster care maintenance costs paid to foster parents for the care of eligible children and a percentage of states' administrative costs. In contrast, family support services and prevention services are provided largely through much smaller funding sources such as Title IV-B and Social Service Block Grant (SSBG) funds.

A state's IV-E funding depends on the percentage of children in foster care who would have been eligible in 1996 for Aid to Families with Dependent Children (AFDC), a program that no longer exists. The use of 1996 AFDC income standards to determine children's IV-E eligibility is gradually eroding states' IV-E claims as the wages of low-income workers increase due to inflation and the higher minimum wage.

What Congress can do

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

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

Flexible funding waivers eliminate disincentives and add a powerful incentive to improve outcomes for children while safely reducing foster care populations.

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

Congress is encouraged to act quickly to reauthorize and expand Title IV-E waivers to enable child welfare programs to focus on front end prevention programs, which have been proven to lead to better outcomes for children.

¹ This fact sheet was prepared by extracting key points from the Casey Family Programs White Paper entitled: "Ensuring Safe, Permanent and Nurturing Families for Children: The Need to Reauthorize and Expand Title IV-E Waivers." The document can be found at:

<http://www.casey.org/resources/publications/NeedForWaivers.htm>.

