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## *CLASP Audio Conference Series Transcript*

### **Financing Child Welfare: What Policies Best Protect Children? Friday, May 7, 2004, 12:30-1:30 pm (ET)**

#### **The Fourth Audio Conference of the 2004 CLASP Audio Conference Series, “The Squeeze: Helping Low-Income Families in an Era of Dwindling Resources”**

JOHN HUTCHINS: Hello, and welcome to the fourth call in the 2004 CLASP Audio Conference Series, “The Squeeze: Helping Low-Income Families in an Era of Dwindling Resources.” My name is John Hutchins, and I’m the Communications Director here at CLASP.

Today’s call is entitled, “Financing Child Welfare: What Policies Best Protect Children?” In many ways, the child welfare system functions as the “safety net” for the “safety net.” It is the source of assistance for the most troubled families. Yet, in many states, children welfare agencies are in crisis. How can reforming child welfare financing help create policies to better protect children? Will expected recommendations from the new Pew Commission on Children in Foster Care make a difference? What will happen on Capitol Hill?

I’m pleased to be joined by three experts on the subject. Two are from Capitol Hill: Cassie Statuto Bevan, Senior Policy Advisor for House Majority Leader Tom DeLay; and Nick Gwyn, Minority Staff Director of the Human Resources Subcommittee of the House Ways and Means Committee. Welcome to you both.

And the third guest is my friend and colleague, Rutledge Hutson, who until a few weeks ago was a Senior Staff Attorney here at CLASP. She is now Deputy Director of the Child Welfare and Mental Health Division at the Children’s Defense Fund. Welcome, Rutledge.

RUTLEDGE HUTSON: Thank you.

JOHN HUTCHINS: We have a great audience for today’s call. We estimate that there are at least 700 people listening in, in 150 locations in 33 states and the District. Before we get started, let me offer a brief biography of each of our guests.

Cassie Statuto Bevan currently serves as the Senior Policy Advisor to House Majority Leader Tom DeLay, where she has a broad portfolio, including child welfare, welfare reform, and other domestic issues. Before that, she was Staff Director for the House Ways and Means and Committee’s Subcommittee on Human Resources. She earned a doctorate in child development from Columbia University and has held a variety of positions on the Hill and in academia.

Nick Gwyn is the Democratic Staff Director for the Ways and Means Subcommittee on Human Resources, which has jurisdiction over welfare, child support, child care, SSI, foster care, and

unemployment issues. Prior to joining the Committee, Nick was a Senior Legislative Assistant for Congresswoman Barbara Kennelly, and before that, Legislative Director for Congressman Gary Ackerman.

Until just last month, Rutledge Hutson was a Senior Staff Attorney here at CLASP, where she worked on child welfare, TANF, and reproductive health issues for five years. She's now the new Deputy Director of the Child Welfare and Mental Health Division at the Children's Defense Fund, where she'll focus on child welfare financing, the intersection of TANF and child welfare, kinship care, and the provision of comprehensive family services.

Let's start our discussion with a little child welfare 101. Rutledge, could you explain what people mean when they talk about child welfare?

RUTLEDGE HUTSON: Well, John, I think people mean different things by child welfare, so let me put it in context. Often, the first thing that comes to mind when people hear the term child welfare or child abuse and neglect are the extreme cases that reach the headlines in the newspaper and on TV. In fact, that's not what most child abuse and neglect is about.

About 60 percent of child maltreatment is neglect, about 20 percent is physical abuse, and about 10 percent is sexual abuse. I'm not suggesting by pointing out that neglect is the bulk of maltreatment that neglect isn't important, because it can be extremely harmful to children. I just want people to understand that there are a range of solutions and interventions that are appropriate, depending on the nature of the abuse and neglect, and not to focus just on those most extreme cases.

When we think about child welfare and child welfare services, we need to think about a broad continuum of services from the front-end prevention and early intervention services and family support services, for families who are not yet in crisis but may have some risk factors, to family preservation or intensive services for those families that are in crisis to prevent abuse and neglect from happening. For family reunification services, where abuse and neglect has occurred and children have had to come into foster care, to help those families rectify the problems that brought the children into care and go home if that's possible to do safely.

Finally, a piece that's important is for those children who can't return home who become adopted, who move in with relatives, grandparents, and other relatives to provide a set of after-care services, if you will—what we often refer to in the child welfare community as post-permanency services—things to help make those placements stabilized, because the kids have often been through a number of things that require ongoing services and support.

So, that's my quick overview of what people mean by child welfare and what sort of services are needed.

JOHN HUTCHINS: Thanks, Rutledge. Cassie, what do you think the role of the federal government ought to be in addressing the needs of our nation's most vulnerable children and families?

CASSIE STATUTO BEVAN: As many of you know, under the Constitution, states have the primary responsibility for providing services to children and families. I believe that the proper role of the federal government is to work with communities and states to provide both funding and flexibility to develop and provide services to children and families. At the same time, the

federal government must hold states accountable for meeting broad policy goals to protect children to ensure the safety, permanency, and well-being of children in state custody.

Having said that, the federal government provides about \$7 billion dedicated to children and family services, and it is our responsibility to be sure that these funds are used to enhance the quality of life for children and families. However, under the current system, there are perverse incentives that drive the system. States are reimbursed on an open-ended entitlement basis for beds—that is maintenance payments once the child is removed—and yet service funds are capped under the current financing structure. You get what you pay for. You get more kids in care.

The current system maintains rigid silos, or categories of funding, for services to families and children, and this creates inflexible systems that don't serve children or their families very well.

JOHN HUTCHINS: Nick, as Cassie suggested, the child welfare system is funded by both the feds and the states. How much is each responsible for, and where do their lines of responsibility get drawn?

NICK GWYN: If you look at the entire amount spent from any program or funding source for child welfare services, a study by the Urban Institute tells us it's about 50/50 in terms of federal spending compared to state and local spending. But if you look at the foster care program, state spending exceeds federal expenditures by a significant amount, and it depends on which state you are in, in terms of the exact ratio.

And the reason state spending is higher here is because the federal government only shares the cost of certain children in the foster care system, namely those who have come from families that would have been eligible for cash welfare under the rules in place in 1996. The remaining children in foster care are covered with state-only dollars.

JOHN HUTCHINS: Well, Rutledge, let's walk through the federal funding for child welfare, because it can be a little confusing to people and it comes from a variety of different sources. The largest single source is the IV-E program, right? How much is that, and what does it pay for?

RUTLEDGE HUTSON: You're correct. That's the largest source, and the most recent numbers that we have indicate that last year we spent about \$4.5 billion in federal money on the foster care part of IV-E, which pays, basically, for room and board for kids in foster care who meet the eligibility criteria that Nick talked about. And it pays for some administrative cost and training costs. Administrative cost here is often a little bit broader definition than what we typically think of as administrative cost. But there really are not a lot of services provided, as Cassie mentioned. It's basically about providing out-of-home care.

In addition to the foster care component of Title IV-E, there is an adoption assistance program. Last year, we spent \$1.3 billion of federal funds on that program. Again, there is a subsidy for eligible children to continue to receive financial support, and there are administrative costs and training costs.

Finally, the last, smaller piece of Title IV-E that people often forget about is the Independent Living Program, which consists of two parts: one is a capped entitlement of \$140 million that's to be distributed to states to use to help those youths who are beginning to transition out of the foster care system; and, then, an additional \$60 million, which is discretionary, to provide vouchers to students of up to \$5,000 for children who are aging out of the foster care system.

JOHN HUTCHINS: And then there are two other dedicated sources for child welfare funding from the feds—IV-B and CAPTA. Could you explain what those are?

RUTLEDGE HUTSON: Right. Those are the two other main dedicated funding sources. Title IV-B actually has two parts to it. The first part is called Child Welfare Services, and this is a discretionary amount of money. The authorization level is \$325 million a year, but last year the appropriated amount and spent amount, actually, was \$292 million. This is a pot of money that can be used for a very wide range of services in child welfare.

The second part of IV-B is called the Promoting Safe and Stable Families Program. The authorization level for this program is \$305 million in mandatory funding and \$200 million in discretionary funding. Last year we spent about \$405 million on the Promoting Safe and Stable Family Program. And funding for this program can be used for four basic categories of services: Family Support Services, Family Preservation Services, Time-Limited Family Reunification Services, and Adoption Services.

CAPTA is a much smaller program. It has three basic parts: grants directly to states for primarily for infrastructure-type things—investigations and so forth; there's some discretionary grants for research; and then, there are what's now called Grants for Community-Based Child Abuse Prevention. The total authorization level for all three of those is around \$200 million, but it's important to know that Congress has not funded at the appropriations level. And last year, we spent about \$88 million on the CAPTA Program. Because the point there, I guess, is that the piece the people think of as services is considerably smaller than the piece the people think of in terms of the out-of-home care.

JOHN HUTCHINS: And could you tell us what CAPTA stands for?

RUTLEDGE HUTSON: Child Abuse Prevention and Treatment Act.

JOHN HUTCHINS: Great. Thank you. What about these other federal sources that are used for child welfare that aren't necessarily dedicated child welfare funding?

RUTLEDGE HUTSON: Well, the three biggest ones are the TANF Program, Temporary Assistance for Needy Families; Title XX, the Social Services Block Grant; and the Medicaid program. In terms of Medicaid, it's important to remember that, when the Urban Institute did their study trying to access how much of these funding streams were being used for child welfare services, they weren't talking about the provision of basic health care that foster children are eligible for. They were talking about some specific pieces of Medicaid called Targeted Case Management and rehabilitative services. So, it's not, you know, your normal visit to the doctor—that kind of thing.

TANF composed about 17 percent of federal child welfare spending in 2000; Title XX, SSBG, comprised about 15 percent of federal spending in 2000; and Medicaid an additional 10 percent. It's important to realize that close to 45 percent of the federal spending on child welfare is not coming from funds that are designated for child welfare and, thus, are subject to whether there is availability to use those funds in those programs or whether they're needed for other things.

JOHN HUTCHINS: Well, thank you for that quick explanation of all the funding sources.

For all three of you—let’s start with Cassie—putting all this together, what would you say are the most important characteristics of this child welfare financing structure for our audience to understand?

CASSIE STATUTO BEVAN: I’ll tell you the most important characteristic is that the financing structure really only pays once a child is removed from their home. There is a disproportionate amount of federal funds spent on maintaining the kid in foster care and not enough on prevention services.

Though, as Rutledge mentioned, there are prevention services through the Safe and Stable Families Program, Title XX, CAPTA, Community Services Block Grant, and the TANF Program, but the rigid financing structure does not serve children well. The federal role is limited to providing the resources and holding states accountable, and it is up to the states to use federal dollars as they see fit to help children and families. And under the current system, states are hamstrung.

JOHN HUTCHINS: Nick, what would you have to say about it?

NICK GWYN: I guess in the simplest terms, the current system provides guaranteed assistance and protections for certain children in care. And this entitlement remains in place regardless of whether the overall foster care caseload rises or falls. But as both Rutledge and Cassie have pointed out, at the same time, the system only provides limited funding for preventive services and for family support services.

JOHN HUTCHINS: And Rutledge?

RUTLEDGE HUTSON: I think, in essence, we’re all three in agreement, that there’s not enough funding for the services that states need to provide families to keep kids from going into foster care when that’s possible and to get kids back home or into another permanent placement as quickly as possible. I think that’s really the takeaway message—that we need more resources to develop the capacity of states to provide a range of services and not just out-of-home care.

JOHN HUTCHINS: Well, let’s talk in a little bit more detail about the challenges to this system that are related to financing. Nick, what particular problems result from a state perspective from this financing system?

NICK GWYN: Well, as I’d mentioned earlier, the federal government only reimburses for some children in the foster care, and that group is slowly shrinking because the federal eligibility standard is not growing with either inflation or wages. It’s basically connected to the cash welfare standard in place in 1996. This means that states will assume a greater financial burden over time for the foster care caseload, and I think that’s a growing problem that Congress, at some point, is going to have to step in and address.

Additionally, as we’ve talked about, there’s a limitation on the amount of funding going out for family services and for prevention activities. They are capped at relatively low levels, particularly in comparison to the amount we spend on out-of-home care. So, I think those are the two primary problems within the financing structure of the child welfare system.

JOHN HUTCHINS: And, Cassie, would you add anything to that?

CASSIE STATUTO BEVAN: Yes. Except I don't accept the premise of the question that fixing the financing alone will solve all the problems. The financing system is not the only system where there are problems.

The foster care system is a highly complex system, and the federal money alone is not necessarily going to fix it. Currently, foster kids are viewed as somebody else's problem. Communities have been let off the hook—businesses, civic organizations, faith-based communities. They believe the government is taking care of these kids, and they don't have to make the local investment to change the circumstances facing these kids.

I would agree with a lot of what Nick and Rutledge are saying in terms of the fact that they're all perverse incentives.

JOHN HUTCHINS: Well, let me reverse the question, Cassie. What's good or useful about the current financing system that should be retained?

CASSIE STATUTO BEVAN: The federal dollars are tied to both prevention and maintenance payments, and they do require states to invest in both types of services. And I think that is something good about the current system. I also think that there's a lot of federal money in the system, and then when federal strings are attached, states do respond.

We learn that federal dollars, when tied to the Adoption and Safe Families Act time frames, adoption incentive payments, that the states responded. So, I think the federal strings holding the states accountable does work. The CFSRs, which no state has passed, is useful in holding states accountable for the children in their care, and that's a good thing.

JOHN HUTCHINS: You said CFSR, what is that?

CASSIE STATUTO BEVAN: The CFSRs? The Child Family Service Reviews.

JOHN HUTCHINS: Thank you. Nick, what would you say is good about the current financing system?

NICK GWYN: I think it commits the federal government to financially share in the cost of at least some children in care—even if the caseloads rise for some reason. And it also requires states to adhere to certain standards and safety requirements in order to receive federal funding.

As Cassie mentioned, that has an impact on state behavior—not the level of impact that we would hope for, but I think it is a positive for us that the federal government is saying that we are committed to financing this program and, in exchange for that, we expect these states to adhere to certain standards.

JOHN HUTCHINS: Thanks. Rutledge, since the mid-1990s, all states have undergone what's called a Child and Family Services Review. Could you describe what those are?

RUTLEDGE HUTSON: Yes. That's what Cassie was just talking about in terms of the accountability, and it's really, I think, a very exciting process. We at CDF are very pleased with how the process has moved.

Basically, there are several stages to the process. It begins with a state-wide assessment where the state looks at empirical data, conducts focus groups, and tries to get a sense of what's going on in their states. Then, the federal government also provides data, which actually originally came from the states, to indicate whether or not they meet certain national standards. The standards are in a variety of areas dealing with safety, permanency, that kind of thing. They tell the state whether they've met the national standard or not, and states have an opportunity to refine their data or question whether that data makes sense.

Then they do an on-site review, which I think is one of the most exciting pieces of this, where they bring in a set of federal reviewers and state reviewers and often reviewers from other states to really look in depth at the child welfare system. They pull 50 cases, and they meet with the children, they meet with the foster parents, they meet with the birth parents—anyone involved in the case—and really try to get an understanding of how the child welfare system is working. They look at seven systemic factors to sort of see how things are working or not working in that state.

And as Cassie mentioned, no state has meet all the criteria. No state has “passed” the process. But I think a lot of us view this really more as a quality assurance approach or use this as an opportunity for states to really identify where some weaknesses are and where they need to put resources in. And several states have really used this. The process is intended to involve stakeholders from the community—from across the state. A number of states have used it to bring in, for example, mental health providers, substance abuse treatment providers, domestic violence providers, to really have them have some input into how the system is working, too. I think states have found that a very useful tool in beginning to build more of a constituency and more of a sense of partnership.

JOHN HUTCHINS: Now, just recently, the *New York Times* reported that all states had essentially failed these reviews. Could you talk a little bit more about that?

RUTLEDGE HUTSON: Well, as I said, we try to think of it as more of a process of figuring out where states are and what they need to do. It is true that no state has met all the criteria that are required but I think Dr. Wade Horn has said that we intended to set the bar high so that we could have states identify challenges in their systems that are unique to their state and develop a specific response. So, all states are developing what are called Program Improvement Plans—or in the child welfare community lingo, PIPs—to think about over the next two years what states are going to do to address some of the challenges they have.

Unfortunately, there's no dedicated federal funding to help states implement the Program Improvement Plans, and many states and advocates view that as somewhat of a challenge. But I think the process itself is a very important one, as Cassie mentioned, in terms of holding states accountable and having them really assess what's going on and what needs to be done next.

JOHN HUTCHINS: Nick, do you have any thoughts about the Child and Family Services Reviews?

NICK GWYN: I think they're a very constructive tool to figure out what is going on in each state. Certain issues have been raised about the methodology in terms of improvements that could be made, but I think there's a general consensus that they are accurately pointing out failings in the various states in areas that need improvement and, hopefully, the states will respond accordingly.

We've been, I think, happy with the efforts so far in terms of states setting up these Program Improvement Plans, but as Rutledge points out, some of the states are having trouble financing those plans and that becomes a major problem.

JOHN HUTCHINS: Nick, let me stay with you for a minute. Cassie suggested that the problems of our current welfare system are not all a result of the financing system. What other reforms do you think should be made?

NICK GWYN: We can look at a whole host of reforms beyond financing. I think people have raised the issue of how the courts tie in to the decisions that are being made about children in the foster care system, but financing does affect individual reforms in these other areas, too. And even before we get to the structure of financing, I think we need to talk about what is the appropriate amount of resources that should be dedicated to child welfare, in general.

As Cassie points out, we spend \$7 billion a year on foster care, adoption assistance and child welfare services and some have said, "That's enough and we should rearrange those dollars to provide a better result." But I think we need to take a step back and look at what an awesome responsibility that government takes on in these circumstances—that the government is essentially taking legal responsibility for children who cannot be raised by their own parents. We need to assess all the related costs with that decision and figure out, well, what is the appropriate amount of money that we should be spending to protect these children and to provide them permanency?

JOHN HUTCHINS: Cassie, could you talk a little bit more about reforms that you think might be needed beyond the issue of the financing system.

CASSIE STATUTO BEVAN: Yes. I think that we should explore what each state would do with flexibility that might produce better outcomes. We should do a better job of finding out if there are programs that are effective in preventing a child from entering care in the first place.

I would like to see states implement earlier reforms, the Adoption and Safe Families Act of 1997 and the Chafee Independent Living Act of 1999, that Nick and I and Rutledge worked hard on. A state should be encouraged to use the "aggravated circumstances" language and the Adoption and Safe Families Act to protect more children by allowing a bypass of reasonable efforts.

JOHN HUTCHINS: Could you kind of unpack that a little bit and describe what you mean, because not everybody on this call is well aware of all these terms.

CASSIE STATUTO BEVAN: In current law, in the Adoption and Safe Families Act, there is language that says that the judge must make a determination that reasonable efforts have been made to reunify the child. There were several Congressional hearings held on the meaning of the term, "reasonable efforts." I mean, how far do you have to go to return a child, especially if the biological family has tortured the child or there's been chronic abuse, a torture/murder of a sibling? In those circumstances, what's "reasonable" in terms of returning the child?

Under the Adoption and Safe Families Act, there was a provision that allows the judge to call torture and murder "aggravated circumstances" and not make an effort to reunify the child—to bypass it and allow the child to be raised in a safe family. And that provision has not been used by the states, and I think that's a reform that was very necessary, along with the notice to foster

parents that they be allowed to present at a hearing in court so that the judge hears all the information on the child and make his best decision. So, my bottom line is that the Congress has passed reforms that I don't think have been fully implemented by the states that could help children and families.

JOHN HUTCHINS: Thank you very much. Rutledge, let's pretend you're a state child welfare administrator. What big piece of advice would you offer policymakers in Washington?

RUTLEDGE HUTSON: Well, I think it's always dangerous for me to pretend to be a state child welfare administrator and speak on their behalf. But I think there is, actually, a lot of consensus throughout the country among child welfare directors, front-line workers, advocates, and policymakers about certain things that are needed in the system. One is that I think we need to think about, as Nick said, how much money do we need to be spending, but more particularly, how do we provide states with a capacity to provide a set of services that include prevention and early intervention services, as well as a set of specialized treatment services?

We know, for example, that 40 to 80 percent of children involved in the child welfare system are in families where there's a substance abuse issue, and we know there's an inadequate supply of substance abuse treatment, particularly for women with children. So, we need to develop a better capacity to provide substance abuse treatment and mental health treatment services—both for parents and for children—domestic violence services, those sorts of things.

I think we also need to think about providing additional permanency options—for example, subsidized guardianship as an option for families where relatives don't feel comfortable adopting a child but are willing to provide for them on a long-term basis. And then, we need to provide the services and support that make those placements stable.

We need to look at providing states a capacity to support a qualified, well-trained, experienced workforce, and I think that almost all states would say that resources are needed for those things and that the flexibility is needed in the funding that comes down so that they can tailor to what their particular needs are. In my view, it's not an issue of more resources versus more flexibility, but rather that we need both of those.

And then the last thing I would add—and I'm not sure if this falls under my hat as a state child welfare administrator because I'm not sure all states would agree with it, but I think many would—and that is that we need to have more accountability. We need to have a better sense of what's happening to these very vulnerable children and how well we're serving them. So, I would say five things—prevention, specialized treatment, permanency-related services, workforce issues, and accountability – are what we really need to be looking at as we talk about reforming the child welfare financing structure.

JOHN HUTCHINS: Let me follow-up on your point about capacity and the states. We received an e-mail from one of our listeners with a question for both Nick and Cassie. This question is from Stacy Bloomer in Atlanta. She asks, "With states struggling financially and discussing cutting services in many areas, is there a possibility of additional federal funding for the hiring and training of additional case workers who often have huge caseloads?" Nick?

NICK GWYN: Actually, that is a part of a bill that has been introduced by Congressman Cardin and Congressman Miller and many others that would help states support front-line workers. It

would provide additional funding to improve the quality, training, and retention of caseworkers in the child welfare system.

And we've seen reports from the General Accounting Office that low salaries and high caseloads and insufficient training have led to very high turnover rates for child welfare workers; their average tenure is something like less than two years. The GAO basically concluded that that turnover negatively affects child safety and permanency because caseworkers have less time to develop relationships with children and their families and conduct safety visits and make thoughtful decisions about placement.

So, I guess my response would be I hope Congress will address that issue. Whether we move forward remains unclear at this point in time.

JOHN HUTCHINS: Cassie, would you like to comment on the issue of the workforce challenge in the states?

CASSIE STATUTO BEVAN: I don't think there is the Congressional will to provide new mandatory federal funds for child welfare. I don't think there are the votes to get that out of the Ways and Means Committee, let alone the votes to pass a bill like that on the House floor.

We have just looked at all of the funding streams on child abuse, and until we coordinate these programs, you've got 33 different offices and agencies with 46 different funding streams and a lot of overlapping missions. And until we can target this money better, I don't think there's going to be the votes to be able to pass it. Though I agree that there needs to be better training, I think there is training under the current proposal—under the current law, under IV-E.

So, you know, I just don't think that's going to be an option.

JOHN HUTCHINS: Thank you. Let's move to discuss more specifically some of the proposed policy solutions to the problems that you all have been describing in the child welfare system. Cassie, child welfare reform is really a non-partisan issue on the Hill. For instance, your boss, Congressman DeLay, and Senator Clinton wrote an op-ed together on youth in foster care aging out of the child welfare system. Do you think that reform around financing will also be a non-partisan issue?

CASSIE STATUTO BEVAN: Well, I think one of the lessons I think we've learned as Congress moved the Adoption and Safe Families Act and the Chafee Act and even the D.C. Family Court's Bill, is that it is possible to reach bipartisan consensus on child protection. Both parties have a deep concern in this area to put children first. However, to call child welfare a non-partisan issue, I think goes too far. You know, come on. This is Congress, and our political ideologies make it difficult, I think, to agree on a solution even though we might agree on the problem so it's clearly not a non-partisan issue, unfortunately.

JOHN HUTCHINS: Nick, do you want to jump in here on the issue of partisanship or non-partisanship?

NICK GWYN: Well, I guess I would more or less agree with what Cassie said. There is a history here of bipartisan cooperation in terms of addressing problems within the child welfare system. Cassie and I have actually worked on bills together—the Adoption and Safe Families Act, dealing with the safety of children in the foster care system, and the Chafee Independence

Act, in terms of helping those children who are aging out of foster care and making sure that some additional supports and services are there for them when they leave the foster care system.

So, there is a foundation to build on in terms of a bipartisan commitment to addressing some of these issues. But Cassie's right, this is a political institution obviously, and there are differences of opinion on some fundamental issues. One is in terms of where resources should be allocated, where the government should be allocating resources. And it remains to be seen whether we can overcome this differences and arrive at a bipartisan bill that we can move through Congress.

JOHN HUTCHINS: Thank you. Rutledge, let's just talk a little bit about where the Administration is on this. In February, DHHS Assistant Secretary Wade Horn said in a CLASP Audio Conference that two things need to happen to improve the child welfare system. He said, and I quote, "We need to provide states and local child protective service agencies more resources, and we need to provide them with greater flexibility."

The President has put forward in his fiscal year 2005 budget what he calls a flexible spending proposal, as well as some additional funding for CAPTA and the Safe and Stable Families Program. Could you describe some of the details of what the Administration has proposed?

RUTLEDGE HUTSON: Sure, I would be happy to. It's important to note that this is a proposal in the budget, so we have pretty limited information. It is also a proposal that was made in the 2004 budget. There's been a lot of discussion, but we, as of yet, have not seen any legislative language. But let me describe the outline of the proposal.

One is that it would be an option for states, and they would have the ability to accept a fixed allocation, which some of us would call a block grant, but which the Administration says is not a block grant. States would accept a fixed amount of money based on projections of their IV-E foster care spending over the next five years. And they would agree to accept that capped amount, and then they could use the funds for any sort of child welfare services that they deemed appropriate. So, here is Dr. Horn's notion of flexibility. The concern that many people raise is that if the foster care caseload goes up, states will be locked into a fixed amount of money. The Administration's response to that in the budget proposal is to talk about a safety valve being available through the TANF—the Temporary Assistance for Needy Families contingency fund. And that states, given some sort of trigger on increased caseloads, would be able to tap into that funding stream, which is about \$2 billion. A number of people are concerned that that's not really an effective safety valve simply because the kinds of things that might cause a rise in foster care caseloads might also cause a rise in TANF or welfare caseloads. Then, the money would be needed in both places, and you would be pitting child welfare and welfare agencies against each other.

Another possibility that has been broached as a safety valve was suggested by Representative Nancy Johnson from Connecticut as a "friendly amendment" to the Administration's proposal and that would allow states to opt back into the open-ended entitlement stream. As I understand it, the Administration might be willing to include this provision, but only if states had not taken any of their up-front money.

The way the Administration talks about providing additional resources to states through this proposal is they project out what the cost would be in a particular state for IV-E foster care spending over five years. And then, they allow states the option to take that in five equal installments. The notion is that they're frontloading the money because the expenditures on IV-E

in year five are projected to be higher, and therefore they would be able to put some additional money in first year or so to develop some service capacity. As I understand it, the safety valve of opting back into the open-ended funding stream would not be available for states who took the up-front money, so there's some concern about whether states would actually receive new up-front resources.

The other thing is that the budget proposal itself indicates that there would be an additional \$7 million in the first year available, although over the course of the five years it would be a budget-neutral proposal.

The last two things to mention, I think, are that the Administration talks about maintaining the protections for children and maintaining state investment. When you talk more specifically about state investment, they seem to be talking about maintaining the match level for Title IV-E foster care. And the last thing that this administration mentions is that states would, even if they elect this option, continue to participate in the Child and Family Services Review.

JOHN HUTCHINS: Thank you, Rutledge. Nick, does the Administration's proposal raise any particular concerns for you?

NICK GWYN: You mentioned that Wade Horn said the system needs more resources, and I couldn't agree more. Unfortunately, the Administration's plan doesn't provide any new resources. It's designed to be budget neutral, meaning no new money. And as Rutledge has spelled out, the Administration has said, well, it might allow certain up-front funds to become available because they're kind of averaging a five-year allotment in which they're taking some of the money that states would have gotten on the back-end and putting it on the front-end. But if you look at the OMB estimates—this is the Administration's own estimates of how much new child welfare spending will result from this plan in the first couple of years—child welfare spending is going up by less than one percent over the next two years. So, there's not much change here.

The plan basically allows states the option to take a fixed allocation of funds over five years rather than receiving payments for each eligible child. So, states have to decide if they want to assume the risk inherent within that decision or stay in the current system. And for states that decide they do want to take the risk, they have to hope, as Rutledge pointed out, they have to hope that their caseloads don't rise. God forbid, we have another crack cocaine epidemic or something similar that comes down the road. For states that don't want to assume the risk, the plan offers them nothing. There's no additional funding, there's no additional flexibility, and there's no fix for the outdated foster care eligibility criteria.

So, there are concerns about this proposal. To date, it's not been introduced as a legislative proposal. As Rutledge just pointed out, it's been in the budget for the last couple of years, but we haven't actually seen legislative language. So, some of these issues, I think, will be spelled out in greater detail if we ever see legislation on this issue.

JOHN HUTCHINS: And Cassie, do you have comments on the Administration's proposal as it's out there right now?

CASSIE STATUTO BEVAN: I agree with Nick. It's a work in progress. The Administration did not draft a proposal, nor has the Administration proposal been introduced. Their proposal is

an option and presumably states themselves would make the calculation for themselves if the option would best serve their kids.

There is a practical problem of states calculating the baseline or negotiating with HHS to come up with a five-year number. Some states will want to try this option, but I think there is some concern about how they would calculate their five-year number.

I would want to also say that there seems to be some confusion about open-ended entitlements and protections for children. There is a fear that a change in the entitlement structure means that children will lose protections. Open-ended entitlement just means that states are entitled to reimbursements. The protections for children will stay in place. The bottom line is that there are real differences about restructuring the financing system that we have to overcome. We have to grapple with the fundamental difference in terms of how to balance flexibility and accountability so that we get a change in this system. And I do agree with Congresswoman Nancy Johnson and with Nick that, if there is another spike, that an opt-out is going to be important, and I think all of these are going to have to be worked out. Obviously, since the bill hasn't been introduced, these issues are still out there and that we still have to work on them.

JOHN HUTCHINS: Thank you. Nick, you mentioned earlier that Congressmen Cardin and Miller introduced HR 1534, a child welfare financing bill. Could you describe what its main provisions are?

NICK GWYN: Sure. The bill generally attempts to address some of the identified areas of need within the child welfare system.

First, we know states are struggling to finance improvements to come into compliance with the Child and Family Service Reviews. So, the bill provides some up-front funds, as well as performance bonuses to help them finance those changes. We know we have a major problem with retaining qualified caseworkers, which we've discussed a little bit. So, the bill includes grants to address workforce issues. And I should say that we can pass all the reforms you want in Congress, but we have to recognize that the real decisions affecting the lives of children are being made by individual caseworkers who too often have too many cases, too little training, and not enough pay.

The legislation also attempts to address the links between substance abuse and child abuse by providing some grants for collaborative cooperation between child welfare agencies and substance abuse agencies. There's additional funding here for preventive services that would fully fund the money that's been authorized, but not always appropriated every year.

And, finally, it would update the federal foster care eligibility standards so states could use their more current welfare standard rather than going back and using the standard that was in place in 1996. And I guess I should point out one other change in the legislation. It would also extend federal reimbursement when relatives transition from being foster parents to legal guardians. Now the foster care payments are provided to relatives, but, when that relative wants to take the next step towards permanency and become a guardian, sometimes they're denied assistance. This legislation would extend federal reimbursement for those circumstances.

JOHN HUTCHINS: Thank you. Cassie, what are your thoughts about the Cardin-Miller Bill?

CASSIE STATUTO BEVAN: I think that one of the problems with the proposal is that it does add \$500 million for the program improvement implementation. I think this is viewed by some Members as a way to help states avoid federal penalties.

Members would argue that there are other sources of funds, TANF and SSBG, to provide these services already. And even if we could free up existing federal dollars, would we need the new funds? But the bottom line is that Cardin-Miller Bill does not de-link, which means that the federal eligibility standards are maintained, where in the Administration proposal they're not maintained so that you don't have to look back to 1996 to make a child eligible for federal payments.

It does not provide flexibility within the current system, and it adds more categorical programs by adding more money. And I don't think it's a direction right now that we want to take, though I do think that we should work together and come up with something that we can pass. We've done it before. Mr. Cardin and Mr. Miller are very dedicated to this. I know Nick is, and I think my boss is, Chairman Herger is, and I do hope that we can get something going.

JOHN HUTCHINS: Thank you. Rutledge, another important player still to be heard from is the new Pew Commission on Children in Foster Care. Could you explain what this commission is and what it plans to do?

RUTLEDGE HUTSON: Sure. It was formed just about a year ago, last April—not last month, but the year before. It's funded by the Pew Charitable Trust—or I guess the Pew Charitable Foundation now—and their mission is to look at and study a variety of alternatives and proposals to reform the child welfare system and also the court and child welfare agency interactions that are occurring to improve the outcomes for children in foster care.

It is chaired by former Representative Bill Frenzel and former Representative Bill Gray. It has also members from local child welfare agencies. It has a number of judges, both at the highest court level and at the local court level. It has a former foster youth on its Commission. It has professors and other academics. It's a pretty wide-ranging group, and they've been meeting for a year and trying to struggle with what they think is the right way to go in terms of child welfare financing.

They are going to release their recommendations on the morning of May 18th—so coming up very soon. And I hope that we can use this opportunity of the Commission's release of its report to really talk about what are the things we need to do to continue the dialog that Cassie, Nick, and I and you are having in the conversation, but that's also going on more broadly in the child welfare community and really look at what are the areas that changes need to be made. And how do those different areas affect one another so that if we make a change over here, we don't have unintended consequences in another place?

JOHN HUTCHINS: While we don't know what the report is going to say, since it's not going to be out for another week-and-a-half, how do you think Congress will respond to the Pew Commission's report? Nick?

NICK GWYN: I think the Commission, when it issues its report, will stimulate some discussion in Congress. There's considerable expertise on that panel, as Rutledge has pointed out, and I hope it will generate a hearing in our subcommittee—the Human Resources Subcommittee of the Ways and Means Committee. I don't know that it will necessarily lead to legislation moving this

year, given that we're facing a rather short calendar, but it might set the stage for a bipartisan discussion about a broad-based bill next year.

JOHN HUTCHINS: Cassie, are you looking forward to the Pew Commission's report, too?

CASSIE STATUTO BEVAN: Yes. I believe that Pew Commission has worked hard to raise visibility and expectations, and I think staff are eager to discuss the recommendations. I don't know how I hope things will proceed, since this depends on what the report says. And clearly, in terms of hearings, that's within the jurisdiction of the Ways and Means Committee, and the Majority Leader doesn't set hearing schedules.

I can say, though, historically Congress does not usually allow an outside group to set its legislative agenda, so there might be pieces of this that are picked up. I guess it all depends on what it says, but I'm looking forward to it.

JOHN HUTCHINS: Thanks. Just to shift gears for a second, Rutledge, last year you did a study of an integrated child welfare and TANF system in El Paso County, Colorado. Do their experience offer any lessons for child welfare financing reform?

RUTLEDGE HUTSON: I think the takeaway lesson is that you can do really, really good things with investments and prevention and specialized treatment and aftercare services and alternative permanency arrangements and workforce support.

For example, they cut in half the number of cases in which they sought to remove children from their family homes. They really were able to do that because they had some flexibility, but also because they had some resources up front. They primarily used some TANF sources, which I think are becoming more and more scarce for states—in the most recent years as proposals on Capitol Hill about increasing work requirements and so forth are considered.

But what the takeaway message—if you talk to the folks in El Paso County—is we really were able to do some wonderful things, and we were able to do it because we had some new resources up front which helped us lower our foster care caseloads.

JOHN HUTCHINS: Nick, are there other models that we should be paying special attention to or facilitating?

NICK GWYN: We have waivers that are underway or have been conducted in roughly 18 states—some states have conducted multiple waivers. They've looked at different program responses to problems within the child welfare system. Some have provided substance abuse services with specific funding allowed under the waiver. Some have permitted subsidized guardianship with federal reimbursement for that. Some have looked at different payment systems for child welfare services.

We have some interim results in terms of how successful they've been, and we're waiting for further guidance there. But they might provide a model in terms of specific reforms that Congress should consider.

There is one major shortcoming to those waivers, and that is they're all budget neutral. So, there isn't much in terms of new resources allowed, but they have looked at changing various portions of the child welfare system to address certain problems.

JOHN HUTCHINS: Cassie, are there any models that you're looking to that we should be paying attention to?

CASSIE STATUTO BEVAN: Well, my boss, Tom DeLay, has been a foster parent, along with his wife Christine, who's also a court-appointed special advocate. Their leadership in their own county of Fort Bend in Texas has helped build public support for the community that they are building, called The Oaks at Rio Bend. I think that will be a great resource for the placement of abused and neglected children in foster care—and a model that the DeLays' vision will create a permanent residential community for children who will always have a place to come back to if family reunification falls apart or if they age out and lose their jobs or need a place to stay during school breaks. It's a different model and I think one that's promising, and it relies on community investment in kids in their own zip codes.

JOHN HUTCHINS: Rutledge, are there any other models besides El Paso or the ones that Nick and Cassie have been talking about that we should be looking at?

RUTLEDGE HUTSON: When you talk to folks in the field about emerging best practices, people talk about community partnerships where you're involving the community and making child welfare everybody's business so that they're locating child welfare workers in schools or community centers—which is something they've done in El Paso County and which the Edna McConnell Clark Foundation has funded in several different states. So, I think that's a promising practice to look at.

The Casey Foundation has funded a number of family-to-family programs, which also are about involving the community and really trying to recruit foster parents and adoptive parents from a child's own neighborhood, so that they don't have to lose not only their family but also their friends and support. I think models that talk about empowering family members using family group conferencing and family group decision-making, where parents really are involved in terms of designing the package of services that they need to address the challenges that brought them into the child welfare system.

I think all of those models really hold a lot of promise, and I think what we need to be thinking about as we talk about financing is what financing structures allow for these creative models that all of us have talked about.

JOHN HUTCHINS: Thank you. Nick, let me ask you a broader question. How do you make the case to the public and policymakers to invest in prevention services when they see child welfare as being about rescuing kids from bad families?

NICK GWYN: I think most members of Congress know that child abuse is more likely to occur in certain environments; substance abuse, mental health issues or extreme stress can all be contributing factors to neglect or abuse. Sometimes we can provide a specific intervention to address those problems before they lead to abuse or neglect. And sometimes a parent is simply incapable of caring for a child, either for a short period of time or for a much longer period of time—maybe forever. We need a system that can make those judgments and then provide services accordingly.

JOHN HUTCHINS: And Cassie, your comments on this would be welcome, too. I mean, if the public believes that the child welfare system is failing—which if they just read the newspapers they might believe—isn't there a concern that they'd be reluctant to throw more money into it?

CASSIE STATUTO BEVAN: Well, I think the public perception that the child welfare system is failing is not incorrect. It is failing. Lawmakers want to fix the system, and I believe it's up to the leaders of communities to make an investment in these kids. The biggest barrier to building public will is that communities don't feel they own these kids. They feel it's somebody else's problem. The government's taking care of these kids.

Every member of Congress, every state legislator, every banker, carpenter, leader of a faith-based community has to own these kids in their own community. They've got to invest in services for this population, and, once they take that investment, they will take notice of these kids and they'll take care of them as much as I think they need to. And you know, that's what I think we need to do. I think that public will will change once they meet these children.

JOHN HUTCHINS: Thank you very much. We've rapidly run out of time, so let me ask just one more question for all three of you. If you could make one change to the current child welfare system, what would it be? Cassie?

CASSIE STATUTO BEVAN: Oh, I'd like to see more mentors, more sentinels in the community, more court-appointed special advocates. I'd like to see more whistle blowers on bad practices and more options on the continuum of care model to meet the particular needs of families and children.

JOHN HUTCHINS: Nick?

NICK GWYN: As Cassie just highlighted, picking one reform is a rather difficult endeavor. But if I had to pick just one and if I had to highlight a small reform rather than a comprehensive reform, I would say helping states implement their Program Improvement Plans.

I really do believe that a small amount of resources here may go a long way toward improving the child welfare system, and perhaps we can provide some specific grants as outlined in the Cardin-Miller bill or maybe we can open up IV-E reimbursement for PIP-related activities. But I think helping states make improvements to this system is a worthwhile endeavor. We can provide a carrot up front, and, if that doesn't work, then we'll follow through with the stick, which are federal penalties.

JOHN HUTCHINS: Rutledge, you have the last word.

RUTLEDGE HUTSON: Well, it – I think all the things that have been suggested are really good, and I think rather than propose one thing, I'm going to cheat and ...

JOHN HUTCHINS: Join the club.

RUTLEDGE HUTSON: ... and raise five questions that I think we should ask about any proposal that comes forward to see whether it's the right one.

The first one would be: does it serve more children and families? The second would be: does it provide a broader array of services across the continuum from prevention to post-permanency?

The third would be: does it enhance the child welfare workforce—and here I don't just mean child welfare workers, but also foster and adoptive parents. The fourth would be: does it enhance the accountability of the child welfare system? And the fifth would be: does it provide new resources to the child welfare system to make all of the above happen?

So, I guess my one question is: can we provide more flexibility and more resources?

JOHN HUTCHINS: Thank you very much, Rutledge. And I want to thank all three of our guests—Cassie Bevan, Nick Gwyn and Rutledge Hutson—for taking the time out of their busy schedules to participate in today's Audio Conference. Thanks also to Soleste Lupu, the CLASP Audio Conference Coordinator, for her help in planning this call.

Please join us for our next Audio Conference on Friday, June 4th, entitled "A New Progressive Agenda: Innovative Ideas for Work and Immigration Policy." I'll be joined by Deepak Bhargava, Executive Director of the Center for Community Change, and Steve Savner, Senior Staff Attorney here at CLASP and also Senior Fellow at the Center for Community Change.

Thanks to all of you for joining us today.

[This transcript was proofed and corrected by Cassie Statuto Bevan, Nick Gwyn, John Hutchins, and Rutledge Hutson.]