



NEWS RELEASE

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State Foster Care Reform Efforts Face Federal Financing “Straitjacket,” New Report Shows

*In Tough Budget Times, States Find Efforts to Innovate, Give Kids
Stable Homes Stymied by Inflexible Federal Financing Rules*

Chicago, IL: As the federal government and states across the country grapple with record budget shortfalls, a new report released today shows that state efforts to reform troubled foster care systems are further hampered by rigid federal financing rules that stifle innovation and severely restrict spending federal dollars on services that could help reduce the number of children in foster care. The report comes as Congress debates extending a program that has helped some states make improvements for children and families in need and as the federal government finishes its evaluations of state child welfare systems against a set of performance benchmarks. States that fail to meet these performance goals risk losing a portion of the more than \$4.6 billion in annual federal funding for children in foster care.

The report -- *The Foster Care Straitjacket: Innovation, Federal Financing & Accountability in State Foster Care Reform* -- highlights a common hurdle faced by nearly every state -- the inability to spend federal dollars earmarked for foster care on services that could actually help give children safer, more stable, permanent homes. The report also shows that when states *have* been granted more flexible use of federal funding through “waivers” – and then are required to measure the results – several of those states have achieved success in reducing the number of children in foster care and the length of time that children spend in the foster care system.

“Current federal funding rules can be a straitjacket to state and local efforts to reform our troubled foster care systems,” said Jess McDonald, Co-Director of *Fostering Results* and former Director of the Illinois Department of Children & Family Services. “This report shows that when states are given the freedom to innovate and are granted more flexible, accountable use of federal dollars, they *can* get better results for children and families in need.”

The report outlines how current federal financing rules favor keeping children in foster care over providing services that can help keep children at home or support other permanent, stable arrangements for children like legal guardianship. States are currently reimbursed by the federal government for caring for children in foster care, but extremely limited in their ability to spend those same federal dollars on services like mental health and substance abuse treatment or alternatives like subsidized guardianship that give abused and neglected children more stable, permanent homes. Nevertheless, the report shows that some states – when granted flexible use of federal funding through “waivers” – have succeeded in reducing the number or length of stay of children in foster care in part by using federal funds to pay for these alternative services:

- Illinois used federal financing waivers to subsidize private guardianship and provide more than 6,800 children with stable, permanent homes. The state then reinvested the more than \$28 million in federal “savings” it gained into other services that helped cut the number of children in foster care from 51,000 to 19,000 in just five years.
- Connecticut was granted a waiver to use federal funds to offer intensive residential mental health services to children in need, reducing the time these children spent in foster care and improving their behavior once they returned home.
- Delaware cut by nearly one-third the amount of time that the children of drug and alcohol abusing parents spent in foster care through a waiver program using federal dollars to identify families in need of immediate substance abuse treatment and services.

Currently, waivers from 12 states are pending before the U.S. Department of Health & Human Services (HHS) – including a letter of intent from California, an extension for Ohio, and new waivers from Arizona and Wisconsin. However, the authority to grant new waivers is scheduled to expire at the end of March unless Congress passes a resolution to extend the program. But even if the program is extended, federal law currently allows HHS to approve just ten waivers each year, ensuring that some states will be left without this important tool for foster care reform.

As mandated by Congress, HHS is nearing completion of a formal process to evaluate state child welfare systems against a set of defined performance standards. Of the forty-seven evaluations – known as Children & Family Service Reviews (CFSRs) – conducted so far, not a single state has passed, which under law threatens to reduce every state’s share of federal child welfare funding. Many state officials and child welfare advocates, however, believe that current federal funding rules severely limit their ability to innovate in ways that could help states reform their foster care systems and meet the federally defined performance standards for children and families in need.

“Accountability and more flexible use of federal funding must go hand-in-hand,” McDonald continued. “But currently, our common goals of safety, permanency and stability for children are often at odds with how the federal government finances foster care and child welfare services.”

The report was issued by *Fostering Results*, a national, nonpartisan project to raise awareness of issues facing children in foster care. It is supported by a grant from The Pew Charitable Trusts to the Children and Family Research Center at the School of Social Work, University of Illinois at Urbana-Champaign. The complete report is available at <http://www.fosteringresults.org>.