The State of Child Welfare in New York: Shaping Things to Come

For the New York State child welfare community—service providers, government officials, advocates, and the children and families they serve—these are unsettling times. On one hand, this community’s efforts have borne fruit over the past decade. Far fewer children enter foster care today than ten years ago. More families receive preventive services that help keep their children safely at home and assist parents in rebuilding their lives. These strides forward, however, are endangered by an uncertain future. The economic downturn has reduced state and local revenues and increased hardships experienced by families. Government agencies and nonprofit service providers have suffered budget cutbacks that have resulted in reductions in services to some families. Prosperity, for the moment, remains elusive.

This unpredictable context makes finding answers to tough questions that much more urgent. We need to continue to identify the actions we can take to improve the lives of vulnerable children and families during these tough times and build on the progress made in recent decades.

During the past year, the New York State child welfare community engaged in an active dialogue about the future of the child welfare system. The Ten for 2010 documents (attached) resulting from these conversations outline a bold vision for a dynamic system that emphasizes providing more community-based supports that many families need to maintain children safely in their homes, advancing equity across common social cleavages, and maintaining a stable child welfare workforce that constructively engages children and parents—all in an environment that promotes innovation and accountability.

To meet this vision, creative ideas are needed to further develop a flexible, stable, and transparent finance system. The Ten for 2010 initiatives have potential to improve outcomes for children and families and save money. The financing of child welfare services, however, needs to support these changes whenever possible. New York State has already made significant strides in aligning finance with policy goals. Despite taking many steps forward, the current system too often frustrates state and local governments, service providers, and other stakeholders.
New York State Office of Children and Family Services
Mission Statement

The Office of Children and Family Services serves New York’s public by promoting the safety, permanency, and well-being of our children, families, and communities. We will achieve results by setting and enforcing policies, building partnerships, and funding and providing quality services.

OUR BELIEFS

Children should live with their families whenever they can do so safely.

When families cannot safely maintain their children, foster care should be a comforting but temporary stop on the path to a safe, loving, and permanent family.

Child welfare services should be responsive to a dynamic and diverse social, economic, and policy environment.

Guiding Principles for Financing New York’s Child Welfare System

OUR BELIEF: Children should live with their families whenever they can do so safely.

1. Government should fund a continuum of services for vulnerable families. Child protective workers, after consulting with families and their support networks, should have a range of options to assist children and caregivers, with foster care the option of last resort.

2. Because families often need services provided outside the child welfare system, such as health, mental health, and housing services, the financing of child welfare services should promote interagency collaboration.

3. Children are connected to their families and communities. The financing of child welfare should support the development of culturally competent case plans as well as services that are sensitive to the environment in which children and families reside.

OUR BELIEF: When families cannot safely maintain their children, foster care should be a comforting but temporary stop on the path to a safe, loving, and permanent family.

Guiding principles for financing child welfare services:

1. Funding policy should promote kinship and family foster-care placements located in a child’s community.

2. The child welfare finance system should provide child welfare staff with the capacity and the incentives to move children to permanency safely and quickly.

3. Government should provide foster and kinship parents with the training and resources needed for children’s safety and well-being.

OUR BELIEF: Child welfare services should be responsive to a dynamic and diverse social, economic, and policy environment.

Guiding principles for financing child welfare services:

1. The finance system should be flexible enough to allow child welfare officials to tailor their practice to adapt to local conditions.

2. Because the circumstances and presenting problems faced by children and families often change, government should provide the resources to demonstrate and evaluate innovative solutions.

3. The finance system should include funding for a rigorous accountability system that can be adapted to changing circumstances.
Child welfare finance issues are complex. As discussed below, funding comes from many sources and can be structured in many ways. To help better understand the issues and to brainstorm new ideas, the New York State Office of Children and Family Services plans to convene a meeting of stakeholders and national child welfare finance experts. Two core questions will drive this conversation:

- Are current financing arrangements most effective for child welfare practice?
- What can the child welfare community do to better align financing with practice?

The next section of this paper discusses developments in the child welfare system that helped shape these questions. The paper then focuses on how child welfare services are financed, the challenges this financing structure creates, and the possibilities for change. A list of questions for discussion is appended.

### Changes in Child Welfare Practice

New York State’s efforts to protect children have evolved from a practice that relied heavily on foster care to one that often emphasizes working with families to prevent placement, and, when children are placed, to reunify them quickly with families. In 1975, New York became the first state to pilot the use of prevention funds in child abuse and neglect cases, prompting the incorporation of preventive services funding in the federal Adoption Assistance and Child Welfare Act of 1980. In the 1980s and 1990s, New York continued to test innovative strategies to keep children with their families and out of foster care. Funding for preventive services increased, but remained limited. Foster care continued to be a central part of the child welfare system.

In 2002, New York State enacted a new child welfare finance law that created an uncapped 65 percent match for preventive child protective, adoption, aftercare, and independent living services. This funding for preventive services, along with the accelerated timetables required by the federal Adoption and Safe Families Act and several other factors combined, led to significant declines in the use of foster care and an increase in the number of families who received services at home. In 2000, the Statewide Central Register of Child Abuse and Maltreatment received 145,121 reports, and 43,142 children were in foster care (see Figure 1). Despite a 15 percent increase in the number of abuse/neglect reports from 2000 to 2009, the number of children in foster care statewide during that period dropped by 43 percent—or more than 18,000 children. In New York City, the number of children now living in foster care is at a historic low—and is one-third the number 20 years ago. Reductions in the use of foster care occurred in several places across the state in districts large and small, while funding for preventive services increased.

### How Child Welfare Finance Complicates Planning a Coherent System

Federal, state, and local expenditures on child welfare services in New York State are approximately $2.7 billion. For many reasons, aligning finance with
practice is challenging: the 43 federal funding streams that help pay for child welfare services in New York provide more generous support for foster care than for preventive services, and strict requirements for federal reimbursement hinder innovation. In addition, New York is a diverse state, with rural, suburban, and urban jurisdictions whose children, families, and child welfare agencies have different needs, resources, and traditions. Federal, state, county, and New York City fiscal years start and end on different dates. Jurisdictions have different orientations toward protecting children, and all must follow a dense set of federal and state child welfare laws. It is no small undertaking to structure and maintain a finance system that is flexible, transparent, and meets the needs of all New Yorkers.

Federal funding, which accounts for approximately half of New York child welfare spending, plays a large role in financing services, but the rules regarding that funding contributes to the challenge of building a stable finance system. The largest source of federal funds for child welfare services comes from Title IV-E of the Social Security Act. This entitlement program covers a percentage of foster care expenses based on the number of days that eligible children spend in care. Similarly, Title IV-E provides funding for adoption assistance (depending on the number of eligible children adopted), for older youth aging out of foster care, and for some administrative costs.

Tying funding eligibility to the number of days in foster care causes federal support to fluctuate. Indeed, successful prevention and permanency services reduce

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**Figure 1: Child Protective Services Reports and Foster Care Population Statewide, 2000–2009**

Note: In care population is the number of children in foster care on Dec. 31st.
IV-E reimbursements as the number of days in foster care declines. In addition, to claim reimbursement under Title IV-E, states must show that the children served meet the eligibility requirements for the Aid to Families with Dependent Children program, which was abolished in 1996. Because the law does not allow for inflation adjustments, the percentage of children qualifying as “IV-E eligible” is now about 45 percent. Changes in the foster care census and the percentage of IV-E eligible children from 2004 to 2006 contributed to a 15 percent decrease in IV-E reimbursement dollars provided to New York State—tens of millions of dollars.5

Another federal funding stream, Title IV-B, supports child welfare preventive, family support, and adoption services—funding that could finance many of the Ten for 2010 initiatives. Title IV-B funding, however, accounts for less than 4 percent of New York’s child welfare spending, is less than one-tenth of the state’s IV-E reimbursements, and is capped at a relatively small, fixed amount each year. Also, federal regulations limit how states may use some Title IV-B monies by specifying the percentage of dollars that must be used for each type of service.

The federal government provides other funding that states can use for services for families in the child welfare system, such as the Social Services Block Grant (SSBG), Temporary Assistance to Needy Families (TANF), and Medicaid. These funds can be used for a broad array of child welfare preventive and community-based services. Medicaid supports significant residential health, mental health, and substance abuse treatment to children in the child welfare system. The source and number of federal dollars, however, change in ways that make planning and implementing services challenging. Moreover, TANF and SSBG allocations are not dedicated solely to child welfare, making this funding less reliable than other sources.6

Since 1995, New York State has funded foster care through a capped block grant allocated to each district based on historical expenses and reductions in foster care days. District tax levy funds are used to pay for local foster care expenditures that exceed the block grant. As mentioned above, in 2002 the state instituted an uncapped reimbursement of almost two-thirds of district expenses for preventive, protective, adoption, and adolescent transition services.7 The state also provides smaller amounts of targeted funding to address specific issues, such as PINS diversion.

The child welfare financing trends in New York State can be summarized as follows:

**Child Welfare Funding:**
- Child welfare funding supports child protective, preventive, adoption services and independent living services.
- The funding stream for prevention is uncapped.
- The funding has increased 102 percent since 2003.
- Gross claims have gone from $306.5 million in 2001 to $621.2 million in 2010.

**Foster Care:**
- Gross foster care claims have increased from $1.316 billion in 2002-2003 to $1.376 billion in 2009-10, an increase of $60 million.
- During the same period, foster care caseloads have declined.
Innovations including Bridges to Health, Improved Outcomes for Children, and local investments in preventive services have contributed to the decrease in caseloads.

Committee on Special Education Placement:
- State reimbursements for CSE costs are not included in the foster care block grant and no federal share exists.
- Since 2000, the program has grown by $93.1 million (125 percent).
- In contrast to foster care, CSE children are placed by local Committees on Special Education and are in the custody of their parents. Placements are not subject to judicial review and oversight.

Adoption Subsidies:
- Approximately 44,000 youth receive an adoption subsidy each month.
- Subsidies have grown 59.2 percent since 2001 and peaked in 2007-2008.
- A decline in claims in the past two years may be the result of fewer adoptions statewide and youth aging out of the adoption subsidy program.

As shown, child welfare is financed by numerous federal, state, and local sources and governed by multiple rules and regulations. Although vigorous debate will continue over the size and sources of spending on child welfare given these hard times, finding opportunities to advance the Ten for 2010 vision is a shared concern. Several examples show that it is possible to improve services and save money while furthering a progressive child welfare agenda.

Finding Opportunities to Improve Services in the Child Welfare System
Many of the Ten for 2010 initiatives focus on addressing child safety conditions before they require more costly interventions. Others focus on finding ways to reunify children safely and quickly with their families. For children not able to return home, initiatives focus on finding safe and permanent adoptive homes swiftly. These ideas build on a history of innovation in New York State and elsewhere as the examples below demonstrate.

Tailoring Effective Responses to Families Through Targeted Services
Efforts to address the needs of families before they become involved in the most intrusive, restrictive, and expensive parts of the child welfare system can succeed, but often require an array of accessible, community-based services. One Ten for 2010 initiative that takes this approach is New York’s Family Assessment Response program, which is being piloted in 19 counties. The program aims to replicate the results of similar programs in other states that provided more appropriate services for fewer dollars to lower-risk families. Another Ten for 2010 initiative, creating alternative responses to CPS investigations for older youth who are truant, has the potential to increase youth employability and reduce delinquency as well as to free up child welfare staff and the courts to focus on other cases. These efforts and others that might be tested require figuring out ways to shift funds from traditional investigations and court processing to demonstration programs and evaluations, and ultimately to those programs that show positive results.
Addressing issues of racial equity also requires creative thinking about child welfare finance. Additional expert training may help caseworkers identify and build on strengths in African American, Latino, and other families of color that are disproportionately represented in the child welfare system. More sensitive case practice, in turn, can prevent the need for more expensive interventions.\(^{10}\) Many families of color live in communities that have fewer of the services and opportunities needed to stabilize situations that threaten the safety of children. Strengthening services in these neighborhoods may require recapturing the savings realized by fewer court cases and foster care placements that result when more services are available. Augmenting traditional child welfare programming with housing, job training, and employment can help stabilize families and increase child safety. This approach often requires working across agency boundaries, a challenge discussed in greater detail below.

Opportunities to improve outcomes and save money are not limited to preventive services but are also available during and after foster care. And again, it is in these areas that the Ten for 2010 vision calls for reform.

**Permanency: Fulfilling the Promise of Stable, Secure, and Nurtured Lives**

When children enter foster care, establishing permanency quickly and effectively is essential for their well-being—and for reducing the resources spent on placement. Unfortunately, some children spend years in foster care. A recent report found that this often occurs because their cases come to a standstill.\(^{11}\) Finding additional ways to move children safely out of foster care and reunify them with their families, or to adoption, guardianship, or another permanency option if reunification is not possible, also provides opportunities to improve services and save money.

Several promising programs focus on children who stay in foster care for extended periods. The permanency panels proposed in the Ten for 2010 initiatives, “benchmark” reviews piloted in Georgia, Family Finding programs in North Carolina, California, and other states, and the national Wendy’s Wonderful Kids program are all promising interventions that seek to reunify children with their families or speed the path to other permanent homes. Private foundations support many of these initiatives; finding ways to leverage this type of support could be a first step in creating or expanding these efforts in New York.\(^{12}\)

New York State’s progress in implementing its subsidized kinship guardianship program, KinGAP, is another example of pursuing an opportunity to improve services and save money. Many children live safely in foster care with relatives who, for many reasons, are unwilling to adopt them. When they cannot be reunited with their parents or be adopted, these children may remain in foster care for many years. By taking advantage of an option created by the federal Fostering Connections to Success and Increasing Adoptions Act, OCFS is working on implementing New York’s subsidized kinship guardianship law, which takes effect on April 1, 2011. Under certain conditions, relative foster parents may become legal guardians of the children in their care. They will continue to receive assistance that allows them to care for the children, but
without the expense of caseworker visits, court hearings, and paperwork requirements. A recent study estimated that KinGAP will move hundreds of children to legal permanency and save more than $10 million.¹³

Though federal standards call for states to minimize repeat maltreatment and multiple entries into foster care, minimal federal funding exists to support services to children who reunify with their families once they leave foster care. Many believe that these “post-permanency” services are vital to keeping children safely with their families and preventing repeat maltreatment. Across the country, only a few jurisdictions have figured out how to fund these services.¹⁴ One private agency in New York, The Children’s Village, has raised private funds to support its efforts and is enthusiastic about the potential of this work. To create a continuum of services that promote and support permanency, new ideas are needed to figure out how to finance post-permanency assistance.

Working Across Systems

Children are not child welfare, mental health, juvenile justice, or PINS cases, but individuals with unique needs and strengths. Yet traditionally, the funding and practice of children and family services, especially services for adolescents, hinders the provision of integrated services to “crossover” groups. New York, however, has made substantial progress in finding opportunities to work across systems.¹⁵

The state and several localities, for example, have invested in providing evidence-based programs such as Healthy Families New York, Family Functional Therapy, and Multisystemic Therapy, which address children and family’s issues across traditional service boundaries. An evaluation of Healthy Families New York, an evidence-based home visiting program aimed at high-risk families with new babies, found that the program reduces involvement in the child welfare system while improving cognitive abilities—and saves government $4 for every dollar invested.¹⁶

In Orange County, Onondaga County, and New York City, PINS programs provide referrals, based on a family’s needs, to a range of community services resulting in reduced reliance on foster care and institutional placements.

New York State’s Bridges to Health (“B2H”) Medicaid waiver program takes advantage of an opportunity to augment child welfare efforts with Medicaid services. Under waiver authority from the federal Department of Health and Human Services, B2H provides specialized services to children in foster care who suffer severe emotional, developmental, and/or health disabilities. B2H works with the child and the child’s foster family, adoptive family, and/or birth family to facilitate the transition to permanency—and B2H services continue after a child leaves foster care. Through multiple agencies, B2H provides caregivers with supports to keep children and families together instead of relying on expensive institutional placements.

Finding ways for government staff to work across traditional agency boundaries is a longstanding goal of many local, state, and federal departments, though it has often proved difficult to implement. Another strategy to pursue might be finding additional opportunities to leverage New York’s vibrant
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nonprofit sector. Creating a contracting process that allows multiple agencies to negotiate a single contract to provide services, known as a “unified contract” or a “master contract,” could enable a nonprofit organization to offer multiple services to help meet the needs of families through a single point of contact, instead of making referrals to many agencies. Another method is to combine funds from different agencies to pilot efforts to address gaps in services. Several New York City nonprofit organizations that work with crossover groups, for example, began as demonstration projects piloted by other nonprofits that specialize in this work.

These examples show what’s possible when agencies find collaborative ways to advance their missions. Funding pressures may open up new opportunities to tackle complex problems, and a renewed search for areas of collaboration could save money and improve services.

Innovations in Other Jurisdictions
The Ten for 2010 vision lays out several innovative strategies for financing child welfare services, including drawing lessons from New York City’s Improved Outcomes for Children contracting demonstration, exploring case-rate and budget-based financing options, using research-driven strategies to identify effective practices, and considering a federal waiver if Congress reauthorizes their use. Other states have pursued innovative strategies that may help New York think about new ways to finance child welfare services.

Many efforts to provide flexible funding involved the use of federal IV-E waivers that allow states to use IV-E reimbursements to pay for other services or to serve families that do not meet IV-E eligibility criteria. Since the authorization of waiver authority in 1994, 23 state child welfare systems have operated under federal waivers. Although authority to grant new waivers to states expired in 2006, lessons from the waivers can inform the conversation in New York.

Some states, for example, have used IV-E waivers to give local districts the flexibility to spend child welfare dollars for new services and supports in exchange for a capped allocation of IV-E funds. The districts may use this flexibility to keep more children at home by providing onetime supports for expenses such as rent, overdue utility bills, or children’s furniture, and services such as in-home therapy and assessments for mental health and substance abuse—assistance that IV-E does not normally fund. When children are placed, the flexibility of the waiver funds facilitates placements that are closer to home and less restrictive and supports services that move children to permanent homes faster. Researchers found that in some cases, the waiver reduced the number of children placed in care, the number of children placed out of state, and median days spent in foster care per child—with no changes in repeat maltreatment or reentries into foster care.

Other jurisdictions have experimented with creative funding strategies. Los Angeles County is known for maximizing revenues through federal reimbursement, and Tennessee has increased its use of Medicaid funding. The Iowa Decategorization Project consolidated some traditional funding streams into
a single child welfare fund governed by a written plan and authorized by district, court, and state officials. Each of these states differs from New York in ways that might make importing these programs impossible or undesirable, but they provide ideas for the child welfare community to consider.

What Next?

This discussion demonstrates that New York has made progress in promoting the vision articulated in the Ten for 2010 agenda. So how can New York build on these accomplishments?

New York State and the child welfare community could take several steps to build on these accomplishments:

1. Convene a meeting of stakeholders and national child welfare finance experts to brainstorm new ways to improve services and outcomes while reducing costs. Conversations about finance are complex, and though New York State has expertise within and outside of government, experiences in other jurisdictions and at the federal level can stimulate thoughts about additional ways to serve children and families more efficiently and effectively.

2. Discuss ways to communicate the New York child welfare community’s concerns regarding federal finance reform. As Congress considers reauthorizing TANF and the Child Abuse Prevention and Treatment Act as well as Titles IV-B and IV-E, its members can benefit from hearing New York’s desire for flexible and predictable funding mechanisms that reward building stronger preventive services, reduce time in foster care, and promote permanency after foster care.

3. Renew efforts to identify promising avenues for coordinating services across traditional agency boundaries. As part of this effort, agencies might consider common measures for assessing their work with families so that different branches of government can focus on and promote a shared set of results.

4. Explore ways to use existing funding in creative ways that help meet the immediate needs of families and to develop systems that support primary preventive services.

5. Help coordinate and increase resources from foundations, businesses, and individuals so that private support of child welfare is working to advance the Ten for 2010 initiatives.

6. Brainstorm ways to enhance the capacity of New York’s nonprofit service providers.

There is no panacea for the difficulties faced by the child welfare community. Yet even in these tough times, the search for ways to advance our vision for enhancing child welfare practice must continue.
APPENDIX

Suggestions for October 28 Discussion: Financing Child Welfare Services in New York State

1. How can New York communicate effectively with federal decision makers concerning child welfare finance reform? Which strategies have proven effective in the past and what tactics should be avoided?

2. What are effective strategies for communicating the value of the uncapped match for preventive, protective, adoption, and adolescent transition services?

3. What additional opportunities can help prevent foster care entries through the use of innovative preventive services?

4. What services might help children who are in foster care safely reunify with their parents more quickly?

5. How can the child welfare community leverage more resources from private funders such as foundations, philanthropists, and corporations? In particular, how could the state support nonprofit service providers in their efforts to develop additional private resources? How can jurisdictions facilitate the development of post-permanency services when children are reunified with their families? What are the characteristics of children who might make the best use of post-permanency services—for example, children with personal or family characteristics that make them particularly vulnerable to repeat maltreatment and reentry?

6. What strategies could facilitate cross-agency cooperation? How could a process of developing cross-agency measures be structured to encourage collaboration? Are there opportunities for collaboration between child welfare agencies and other areas of government that could advance the missions of both agencies in a cost-effective way?

7. New York City, Oneida County, and other jurisdictions have experimented with managed care models for providing child welfare services. Is the expansion of such approaches appropriate in New York? If so, are there particular jurisdictions, agencies, or types of families that might benefit most from a managed care approach?

8. Should the state and local districts consider implementing a unified contracting approach to family services?

9. How can the child welfare community further engage and support New York’s nonprofit organizations in their efforts to assist families?


3. The child welfare finance law and ASFA are only two reasons why the use of foster care declined in the past decade. The causes of changes in the foster care census are complex and may be affected by the demographics of children in the general population, the age and child welfare characteristics of children in foster care, immigration, changes in the economy, social mores, and many other factors.

4. This figure is from FY2006 and includes Title IV-E, Title IV-B, Medicaid, Social Security Block Grant, other federal funding, and state and local monies. More recent data are being collected in the semiannual survey of child welfare finance conducted by Child Trends. See http://www.childwelfarepolicy.org.

5. Child Trends, “Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2006,” December 2008, Appendix A. Subsequent references to years in this section refer to the state fiscal year, which runs from April 1 to March 31.

6. For example, the state budget mandates that districts use a large, specified portion of their SSBG funding for adult protective services and services for victims of domestic violence.

7. In state fiscal years 2002 to 2007, the state reimbursed counties for 65 percent of the costs not eligible for federal reimbursement. In 2007-08, the reimbursement rate dropped to 63.7 percent. It was further reduced to 62 percent in state fiscal year 2010-11.


12. Casey Family Programs supports the benchmark reviews in Georgia; The Duke Endowment and the Stuart Foundation support Family Finding in North Carolina and California (respectively); and the Dave Thomas Foundation for Adoption supports the Wendy’s Wonderful Kids program. The Fostering Connections to Success and Increasing Adoptions Act provides limited support for family finding programs.


14. An intriguing example comes from North Carolina, where funding from The Duke Endowment has enabled Catawba County to implement a range of evidence-based programs for children and youth leaving foster care.


18. See Ensuring Safe, Nurturing and Permanent Families: The Need to Reauthorize and Expand IV-E Waivers, Seattle, WA: Casey Family Programs, 2010. A bill that would authorize additional waivers was introduced in Congress in the fall of 2010, but its fate is uncertain.


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