According to a recent report, 6,829 children were in the foster care system in Nebraska as of late June 2008. While the state is legally responsible for protecting the safety of these children, most states rely heavily on federal funding in order to do so. Nebraska, however, has done a poor job of “drawing down” federal funds to reimburse state foster care funding. In a 2002 comparison of the fifty states’ total child welfare spending from federal and state/local sources, only ten other states expended a higher percentage of state/local to federal funds than Nebraska did. Nebraska improved significantly in this measure by 2004, but still fell below the national average.

Not only does Nebraska spend more state and local dollars to fund child welfare than most other states, but Nebraska’s utilization of various federal child welfare funding sources differs significantly from most other states. For instance, in 2004 Nebraska had the second lowest “IV-E participation rate” - also referred to as the “penetration rate,” or percentage of children eligible for one of the largest federal sources of foster care funding, Title IV-E of the Social Security Act - in the country. In that year, Nebraska’s penetration rate was 29%, while the national average was 52%. In addition, Nebraska relies more heavily on Medicaid dollars to fund child welfare services than most states. In 2004, 59% of total spending on child welfare in Nebraska came from Medicaid funds while the national average was only 10%. This reliance on Medicaid is concerning, primarily because the current federal administration has taken steps to disallow certain child welfare claims under Medicaid, a move that would hit Nebraska particularly hard.

In light of these statistics, Nebraska Appleseed recently asked two questions with regard to Nebraska’s foster care financing structure: (1) why does Nebraska have such a low IV-E participation rate (presumably, the driving force behind the overreliance on Medicaid funds), and (2) how can Nebraska more effectively leverage federal foster care funding? Perhaps surprisingly, the answers we found are instructive not only for state and federal child welfare administrators, legislators, and other policy makers, but also for juvenile court attorneys and judges who, whether they know it or not, can play a role in insuring that eligible cases are federally reimbursable under Title IV-E.

Background on Federal Sources of Child Welfare Funding

In 2004, Nebraska spent $166,017,977 for child welfare services. This includes all direct and administrative services the state provides to children and families in the foster care system. Of that amount, 46% came from federal funds, and 54% came from state funds. In 2004, Nebraska received...
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$76,809,632 in federal funds and spent $89,208,345 in state funds for child welfare.12

Federal funds for child welfare services can be divided into two categories: those dedicated solely to child welfare and those that can be used for child welfare but can also be spent on other programs.13 The principal federal sources of dedicated child welfare dollars are Title IV-B and Title IV-E of the Social Security Act.14 The principal federal sources of non-dedicated child welfare dollars are Medicaid, Temporary Assistance for Needy Children (TANF), and the Social Service Block Grant (SSBG).15

In terms of dedicated child welfare funding, Title IV-E of the Social Security Act generally provides federal assistance to cover the cost of "room and board" for children in foster care (called a "maintenance payment") and special needs children in adoptive homes (called "adoption assistance")16, the cost of the state agency's administration and training (e.g., time spent in court, connecting children with services, recruiting new foster parents, training foster parents and caseworkers, etc.), and funds to assist with independent living for youth who "age out" of foster care.17 Title IV-B of the Social Security Act, Subpart 1, is generally considered to be very flexible and can be spent on a number of child welfare related services.18 Subpart 2 of Title IV-B – Promoting Safe and Stable Families - requires that at least 20% of the money must be spent in four categories: family preservation, community-based family support services, time limited family reunification services, and adoption promotion and support services.19

The non-dedicated child welfare funding sources are: Medicaid,20 TANF,21 and the Social Services Block Grant.22 Non-dedicated child welfare funding sources have the advantage of offering states more flexibility in how the funds can be used.23 However, the availability of non-dedicated funds for child welfare purposes is vulnerable to shifts in state and federal priorities.24

Understanding Title IV-E and Nebraska's Low Participation Rate

For most states, Title IV-E is a primary source of federal funding for foster care. However, the eligibility requirements for Title IV-E reimbursement are outdated and remain tied to the income of the home from which the child was removed. In addition, other eligibility provisions require close attention to and administrative oversight of a number of procedural protections and court oversight requirements. It is likely that both of these factors impact Nebraska's low level of IV-E reimbursement.

Income Eligibility for Title IV-E

The federal government provides a matching amount of Title IV-E funds to the state child welfare system but only for children who are eligible.25 Unfortunately, eligibility for Title IV-E foster care funds remains tied to an outdated eligibility threshold for a cash welfare program, Aid to Families with Dependent Children (AFDC), which no longer exists. Furthermore, Title IV-E provides that foster children only receive federal funding if the parents who allegedly abused or neglected them meet the income guideline for AFDC in 1996.

By way of background, when the former AFDC program existed, it had an automatic eligibility threshold for a number of federal programs.26 If a child was removed from a family that met the income eligibility for AFDC, that child would also be eligible for Title IV-E foster care and adoption assistance.27 However when AFDC was eliminated as part of welfare reform in 1996 and replaced by the TANF block grant, it was agreed that foster care and adoption assistance would remain tied to whatever the states had established as their AFDC income eligibility level on July 16, 1996.28 This link to the 1996 date is sometimes referred to as the "look-back" provision.29 Because the AFDC program was based on a complex system of eligibility requirements and because Congress has not updated the income eligibility for Title IV-E foster care assistance since that time, a large number of children in foster care are simply not eligible for Title IV-E assistance because of their parent's income.30

The "look-back" provision, tying eligibility for Title IV-E to 1996 AFDC eligibility, has particularly deleterious effects for Nebraska, which, in 1996, had an exceptionally low eligibility level relative to other states. To provide some context, the eligibility for AFDC in Nebraska was only approximately $673 per month for a family of three in 1996.31 That means that if a child today is removed from a home in which the household income is more than approximately $673 per month, that child is not eligible for foster care assistance under Title IV-E.

Other IV-E Requirements

More than just income eligibility considerations tied to AFDC, even though this may be the most significant factor, affect whether a state receives a federal match for children in foster care.32 In order for a state to receive a federal match under Title IV-E, other requirements must be met as well.33 These requirements, generally the responsibility of the state agency and court system, are intended to put in place important protections for children and families and other mechanisms to insure court oversight of child welfare cases. At the same time, the requirements place some degree of administrative burden on the state agency, which must not only see that the relevant requirements are being met throughout the course of a case but must also review files to assess whether they qualify and may be submitted for Title IV-E reimbursement.

Below are some examples of the various requirements for IV-E reimbursement. Please note that this list is not exhaus-
tive, but is intended to give a general sense of the factors that must be met for Title IV-E reimbursement.

For example, a child may be considered ineligible for Title IV-E funds if:

- there is not a court order containing a "contrary to the welfare" finding;
- the "contrary to the welfare" order was not the first order sanctioning removal;
- there is not a court order finding "reasonable efforts to prevent removal" or that reasonable efforts to prevent removal were not required;
- the "reasonable efforts to prevent removal" finding was not made within 60 days from removal;
- the child is 18 years old or older;
- the child was not deprived of the care, guidance or support of one or both parents during the removal month;
- the relative family from whom custody was removed did not meet 1996 AFDC income and asset requirements;
- the child did not live with the relative from whom custody was removed during the 6-months prior to or during the removal month; and
- the child was on a trial home visit longer than six months, without court extension.

In addition to the above requirements, the following are some additional factors that contribute to a Title IV-E eligible child not being reimbursable. These additional factors are distinct from those listed above in that they are in a sense "curable" or may change from month to month, whereas the requirements listed above may be considered "fatal" or have to be met in the first instance.

- the child is not in a licensed placement;
- the custody order becomes invalid;
- the court fails to find "reasonable efforts" to finalize permanency every twelve months;
- the child is receiving Supplemental Security Income; and
- the child is no longer deprived of the care, guidance or support of one or both parents.

As noted above, in order to obtain reimbursement for Title IV-E, the state agency must insure that applicable requirements are met and review files to determine whether cases are reimbursable. It is easy to lose Title IV-E funds if this responsibility falls on under qualified or overburdened staff charged with handling these potentially Title IV-E eligible files.

In order to provide oversight of this process, the U.S. Department of Health and Human Services performs "regular systematic" audits of states' Title IV-E systems. The audit...
reviews a small sample of files for documentation and verifies that a number of eligibility requirements are met. 39

Any Title IV-E payments made in cases determined to be ineligible during the audit are assessed as a disallowance and states must repay these funds. 40 Nebraska was found to be in substantial compliance on initial review in the most recent audit in 2006, which suggests a more cautious approach in Nebraska to claiming reimbursement for IV-E. 41 It is possible that some states may be more permissive in submitting cases for IV-E reimbursement and risk repaying cases deemed ineligible later, rather than potentially under-submitting cases in order to avoid penalties.

Improving Nebraska’s Approach to Foster Care Financing

Nebraska is disproportionately spending more state funds on child welfare than it should and is not adequately utilizing Title IV-E funds. Nebraska is missing out on federal dollars and by doing so it is shifting the monetary burden of funding child welfare to the state and allowing our federal tax dollars to go to other states. Nebraska’s system of foster care financing could be improved by “delinking” Title IV-E and AFDC at the federal level and by improving our administrative oversight of eligibility requirements at the state level.

Delinking IV-E Eligibility to AFDC

One likely reason Nebraska’s IV-E participation rate is so low is because Nebraska’s 1996 AFDC eligibility rate is low in comparison to other states. The maintenance of the link between Title IV-E and AFDC is problematic not just for Nebraska; “almost all administrators speak of declining Title IV-E penetration rates because of it.” 42 One solution that has been proposed to increase participation rates nationally would be to “delink” Title IV-E eligibility from AFDC and instead link IV-E eligibility to current TANF eligibility standards. 43 However, this solution, referred to by some as “re-linking,” would only update the income eligibility standard for Title IV-E and would continue to leave many children ineligible. Moreover, it would not address the fact that children’s eligibility for federal foster care payments should not depend on the income of the home from which they were removed. It is also unlikely to significantly boost Nebraska’s IV-E participation rate significantly as Nebraska’s TANF eligibility lags behind many other states.

Two coalitions of child welfare advocates and organizations at the national level - the Pew Commission on Children in Foster Care (“Pew Commission”) and the Partnership to Protect Children and Strengthen Families (“Partnership”) - have called for the elimination of income eligibility for Title IV-E altogether. The Pew Commission report proposes a cost-neutral method of delinking in order to “pay for foster care for every child who needs protection . . . regardless of income.” 44 The Partnership proposal recommends “federal, as well as state, financial support for all children when they must be placed in foster care by eliminating the income eligibility criteria applicable to Title IV-E, provided that state funds currently used for foster care are reinvested in prevention and treatment services for children who are at-risk of being or have been abused or neglected.” 45 The chief difference between the proposals is that the Pew Commission would convert Title IV-E training, administrative, and child placement funds to a block grant while the Partnership proposal recommends maintaining Title IV-E as an open-ended entitlement, but separating administrative costs from casework services.

The recommendations of these coalitions are available at:

Pew Commission on Children in Foster Care:

Partnership to Protect Children and Strengthen Families:
 http://www.clasp.org/publications/changes_cw_law.pdf

A step in the direction of delinking Title IV-E foster care eligibility from 1996 AFDC levels was recently made when Congress passed the Fostering Connections to Success and Increasing Adoptions Act in September.46 This bill delinks Title IV-E adoption assistance from 1996 AFDC and advocates are hopeful that Congress will take the next step to delink Title IV-E payments for foster care in future sessions.

If no change takes place, penetration rates will continue to fall. With a falling penetration rate, Nebraska will have to seek other funding sources like Nebraska has done with Medicaid dollars in order to “compensate for the loss in Title IV-E funds.” 47

Meeting Other Eligibility and Reimbursement Requirements

While eliminating the income eligibility for Title IV-E would likely have the most dramatic effect on raising Nebraska’s participation rate and participation rates nationally, close scrutiny of eligibility determinations by the state agency and other requirements by the legal system may also help to raise Nebraska’s reimbursement for Title IV-E.

State Agency

A potential solution to improving Title IV-E reimbursement could be in specially training dedicated staff whose responsibility is to review these files. Nebraska has designated specific workers to perform the Title IV-E eligibility functions but this may not be enough.48 These workers may be overworked to begin with or, more importantly, not trained in understanding the nuances of Title IV-E funding.

Here, Nebraska can learn from our neighbors in Iowa. Iowa has made an attempt to carefully identify cases that are
eligible for Title IV-E and, according to their website, has been able to "serve more children with state resources by leveraging federal funding" through Title IV-E. In attempting to improve their IV-E participation rate, Iowa has established a Title IV-E eligibility unit where ongoing staff training is provided and supervisors conduct reviews to identify cases potentially eligible for Title IV-E funds. At least in part as a result of these reforms, Iowa has been able to raise their penetration rate from 28% in 2003 to 42% in 2008. Other states have hired consultants to help them raise their Title IV-E participation rates.

_Courts and Attorneys_

Another possible improvement is to make sure judges are making the necessary findings within the required timelines in order to make a case reimbursable. One positive development in this area was recently undertaken by the Nebraska Court Improvement Project, which developed model juvenile court forms that are in compliance with the Adoption and Safe Families Act (ASFA) and Title IV-E.

These forms are available on the Nebraska Supreme Court's website at:

[http://www.supremecourt.ne.gov/forms/juvenile/abuse-neglect-index.html](http://www.supremecourt.ne.gov/forms/juvenile/abuse-neglect-index.html)

The utilization of these forms in juvenile cases will help insure that, as a state, we are not losing federal funds due to a lack of the appropriate findings being made within the given timelines. Attorneys can also be of assistance by being aware of IV-E requirements and advocating that cases move forward according to federal guidelines.

_Other Critical Child Welfare Financing Issues_

Although the focus of this article is Nebraska's low Title IV-E participation rate, this subject does not encompass all child welfare financing issues of concern to Nebraska Appleseed or other child advocates across the country. In particular, many advocates have noted that the existing federal child welfare financing structure creates incentives for the placement and maintenance of children in out-of-home care with insufficient resources aimed at reunification or maintaining children safely in their own homes. There are also insufficient resources to move children to adoption or into a guardianship when reunification is not in the child's best interest. In addition, Nebraska Appleseed is concerned about the lack of funding at both the state and federal level for rehabilitative services for children as well as for parents. Therefore, in addition to providing foster care funding for all abused and neglected children regardless of income, reform of the child welfare financing system must provide funding and flexibility to states for critical prevention, reunification and rehabilitative services.

**Conclusion**

Improving Nebraska’s approach to foster care funding will benefit the children of Nebraska who are the future of our state. Leveraging federal funds for child welfare will free up more state funds for programs that benefit not only foster children but all Nebraskans. It simply makes good fiscal sense to leverage federal funds for the welfare of Nebraska’s children.

**Endnotes**

1 This article was researched and drafted by Matt Neher, a third year law student at Creighton University and law clerk at Nebraska Appleseed, under the direction of Sarah Helvey. The author also acknowledges the assistance of Noah Greenwald, a second year law student at the University of Nebraska and law clerk at Nebraska Appleseed, for his assistance in the final preparation of this article.


3 Cynthia Andrews Scarcella, Roseana Bess, Erica Hecht Zieliewski, Lindsay Warner, Rob Geen, _The Cost of Protecting Vulnerable Children IV: How Child Welfare Funding Fared During the Recession_, The Urban Institute, 9 (2004), available at [http://www.urban.org/UploadedPDF/411115_VulnerableChild welfareIV.pdf] ([Hereinafter “Urban Institute 2004.”] Note that the increased use of state funds in Nebraska may also be attributable in part to the fact that the federal government reimburses states at different levels, depending on the states’ per capita income.


5 Id. at 41.

6 Id. Note that estimates of Title IV-E participation rates vary depending on the calculation used. For instance, according to the Center for Law and Social Policy (CLASP), their estimate is based on dividing federal data for the state’s average monthly number of children receiving IV-E maintenance payments (based on U.S. Department of Health and Human Services Expenditure Data for the relevant year) by the number of children in foster care in the state on September 30th (from the relevant issue of Child Welfare Outcomes which can be accessed at [http://www.acf.hhs.gov/programs/cb/pubs/cwo05/state_data/nebraska.htm](http://www.acf.hhs.gov/programs/cb/pubs/cwo05/state_data/nebraska.htm)). This calculation is limited to the extent that it utilizes a point in time measurement versus an average measurement. By comparison, the Urban Institute asked each state to self-report either a point estimate or a range for their participation. Urban Institute 2006 at footnote 14. This method is limited in that it is self-reported. Both of these methods, therefore, have limitations. However, in 2002, the Urban Institute estimated Nebraska’s IV-E participation rate in the range of 21-30% and it appears that this estimate pretty closely captures Nebraska’s IV-E participation rates over the last few years. Urban Institute 2004 at 17. One notable exception is CLASP’s 2005 figure, which estimated Nebraska’s IV-E participation rate at 33%. This represents an improvement from CLASP’s estimate in 2003, which was only 17%. Center for Law and Social Policy, _Child Welfare in Nebraska_, 2 (September 2006), available at [http://clasp.org/publications/child_welfare_in_nebraska06.pdf](http://clasp.org/publications/child_welfare_in_nebraska06.pdf).
It should also be noted that there is wide variation in IV-E participation rates across the country such that national averages do not provide a complete picture for comparison. For example, in 2004, four states had IV-E participation rates in the 71-80% range and another six states had participation rates in the 61-70% range. Urban Institute 2006 at 16. The majority of states, 17, had participation rates in the 51-60% range, and another 11 states had participation rates in the 41-50% range. Id. Only eight states had participation rates under 40%. Id.


8 The current federal administration has taken steps to disallow claims for “targeted case management,” an optional category of Medicaid providing case management to a targeted group including child welfare or foster care. In 2005, Congress passed the Deficit Reduction Act (DRA) which instructed the Centers for Medicare and Medicaid Services (CMS) to issue interim final regulations on this issue, which specified that “targeted case management” could not be claimed for child welfare and that anything covered by Title IV-E or IV-B could not be claimed under Medicaid. These regulations would have had a severe impact on Nebraska, given our reliance on Medicaid to fund a wide range of child welfare services. Fortunately, this summer, Congress passed a moratorium on six sets of those regulations, including those mentioned above, until March of 2009.


10 Id.

11 Id.

12 Id.


14 Id.; see also 42 U.S.C. 7, Title IV (2006).


16 Note that the focus of this article is Title IV-E foster care assistance rather than IV-E adoption assistance.


18 CWLA Funding Resources at section II.

19 Id. at section III.

20 In addition to mandated Medicaid services (such as hospital/clinic and pharmaceutical services) and EPSDT (Early, Periodic, Screening, Diagnosis and Treatment), states may select to provide “Targeted Care Management” (case management to a targeted group including child welfare or foster care) and "rehabilitation services" (any medical or remedial services recommended by a physician or “other licensed practitioner of the healing arts”).

21 Urban Institute 2004 at 126. (TANF includes "child welfare-related services that must meet one of the four purposes of the program or have been in the state’s AFDC plan on September 30, 1995, or August 21, 1996.")

22 Id. ["States are given wide discretion in using (SSBG) funds for direct social services, as well as administration, training, and case management."] Note that Nebraska does not receive a Social Services Block Grant.

23 CWLA Funding Resources.
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24 Urban Institute 2004 at 35.
25 CWLA Leaving Children in Foster Care Behind at 3.
26 Id.
27 Id. [Title IV-E foster care requires that the child must have been a recipient of or eligible for AFDC during the month a petition was filed to remove the child (eligibility month) or the month a VPA (Voluntary Placement Agreement) is signed].
28 Id. at 4.
29 Id. at 4 [According to a 2005 Congressional Research Report, “in 1996, when the ‘look back’ was established, the median state need standard under AFDC (for a family of three) equaled 60% of the federal poverty level; by 2005 that median was 48%. This means that in as many as 25 states, eligibility for Title IV-foster care program may only be established for children removed from families with incomes less than half the federal poverty level (roughly $8,000/year for a family of three).”]
30 Id. at 4 (“In some instances, states had not revised or updated their AFDC income tests when the eligibility was frozen in time, and, therefore, the July 16, 1996 eligibility may actually be more than 10 years old for children in those states.”)
32 CWLA Leaving Children in Foster Care Behind at 5.
33 Id. at 7.
34 “Contrary to the welfare” refers to a “judicial determination to the effect that continuation in the home from which removed would be contrary to the welfare of the child” as set forth in 42 U.S.C. 672, Sec. 472 (a)(2)(A) (2000).
35 A “trial home visit” is “a short term option in preparation for returning the child home permanently” as referenced in 45 CFR 1356.21(e) (2002); See also, http://www.acf.hhs.gov/j2ee/programs/cb/laws_policies/laws/cwpm/policy_dsp.jsp?citID=93.
36 42 U.S.C. §§ 670-679b (2000); 45 C.F.R. §§ 1356.10-1356.71 (2005); see also CWLA Funding Resources.
37 Id.; see also Andy Barclay, A Strategy for Maximizing Federal Social Security IV-E Foster Care Reimbursement in Georgia, Barton Child Law and Policy Clinic, Emory University (2006).
38 To understand the full scope of this administrative undertaking it is instructive to look at the “Title IV-E Foster Care Eligibility On-Site Review Instrument and Instructions,” available at http://www.acf.hhs.gov/programs/cb/cwmonitoring/general_info/instrument.htm (March 2006 version). This document is used during the audit to determine if a “foster care episode” is eligible for Title IV-E reimbursement and shows the complexity of IV-E eligibility. See also 42 U.S.C. §§ 670-679b (2000); 45 C.F.R. §§ 1356.10-1356.71 (2005); U.S. Department of Health and Human Services, Administration for Children and Families, Title IV-E Foster Care Eligibility Reviews and Child and Family Services State Plan Reviews, Final Rule, 45 CFR Parts 1355, 1356, and 1357 (2001), available at http://frwebgate.access.gpo.gov/cgi-bin/get doc.cgi?dbname=2000_register&docid=00-1122-filed.
39 Urban Institute 2001 at 34.
42 Fostering Connections to Success and Increasing Adoptions Act 2008 at http://www.govtrack.us/congress/bill.xpd?bill=h110-6893. As of the final editing of this article, this bill had passed the U.S. Senate and House of Representatives and was awaiting the President’s signature.
43 Urban Institute 2001 at 34.
46 Id.
47 Id.
48 Id.
49 Id.