



NEWS RELEASE

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New York Child Welfare Reform Efforts Face Federal Financing “Straitjacket,” New Report Shows

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

(New York, NY): March 11, 2004 - As the federal government, states and cities across the country grapple with record budget shortfalls, a new report released today shows that 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 New York City struggles to hold on to child welfare reform successes and to maintain critical investments in the face of a \$2 billion local deficit and \$6 billion state deficit.

The report -- *The Foster Care Straitjacket: Innovation, Federal Financing & Accountability in State Foster Care Reform* -- highlights a hurdle to reform faced by New York and most other states -- the inability to use federal dollars on the full range of services that could 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 out-of-home placements, 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.”

“We need the federal government to be an equal partner, sharing the cost of reforming New York’s child welfare system and keeping children safe.” said Gail Nayowith, Executive Director for Citizens’ Committee for Children of New York. “We support federal efforts to improve performance and increase accountability; but federal financing rules do not support either of these goals. Instead, in many places including New York City, local government has stepped-up and funds the lion’s share of the costs of reform.”

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, despite these current federal funding restrictions, 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:

- Connecticut was granted a waiver to use federal funds to offer intensive and comprehensive mental health services to children in need, reducing the amount of time that they spent in foster care youth and significantly improving their behavior once they returned home.
- 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.

Currently, waivers from 12 states are pending before the U.S. Department of Health & Human Services (HHS). 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.

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

Citizens’ Committee for Children of New York (CCC) is a 59-year-old independent, multi-issue child advocacy organization working to ensure that every child in New York City is healthy, housed, educated and safe. CCC has a long history of involvement in efforts to improve child welfare services, including efforts to address state and federal financing challenges.