

FISCAL BRIEF



CHILD WELFARE FUNDING DETERMINATION

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FAST FACTS

- Title IV-E payments are federal funds established by the Social Security Act.
- Title IV-E payments are paid out of the Foster Care Payments line.
- Non–Title IV-E child welfare payments are paid out of both the Foster Care Payments and Child Care Fund lines.
- The Child Care Fund is made up of state, federal, and local funding.
- The state and counties/tribes each have their own Child Care Funds.
- The state-pays-first model was adopted in FY 2019-20.

INTRODUCTION

Child welfare services provided to children who are removed from their homes due to child abuse or child neglect or juvenile delinquency consist of foster care, adoption assistance, and juvenile justice programming and are funded by a combination of federal, state, and local funds. The financing is determined on a case-by-case basis, with Title IV-E eligibility determination occurring first.

TITLE IV-E FINANCING DETERMINATION

[Title IV-E](#) funding, which was established through the Social Security Act, is a federal fund source that reimburses states for the costs of youth placed in out-of-home placements, which include residential facilities, family foster care, and adoptive families. Title IV-E financing determination consists of two categories: Eligible and Reimbursable. Title IV-E eligibility is determined once the child is removed from the home, while Title IV-E reimbursement depends on the type of placement the child is in after being removed from the home.

Title IV-E funding eligibility determination depends on the following eight criteria established by the former Aid to Families with Dependent Children (AFDC):

- A court order of removal from the home includes the judicial finding that it would be contrary to the child’s welfare if they were to remain in the home, and it is filed prior to the removal of the child.
- The state of the child’s relationship with the parent or relative in the removal home is found to be a threat to the welfare of the child.
- A child is living with a specified relative at the time of a court order of removal or six months prior to the court order being made.
- When removed, the court has ordered the Department of Health and Human Services (DHHS) to have sole responsibility for the child’s placement and care.
- Reasonable efforts to prevent removal from the home have been made and documented within 60 calendar days of removal.
- Family income and assets are assessed to determine the Title IV-E funding amount needed, if any. Family income must be less than 185% the AFDC needs standard. Family assets must also be less than \$10,000.
- The child is a U.S. citizen or has qualified alien status.
- Reasonable efforts have been made to develop a permanency plan for the child within a year of the date the child entered foster care.

To be eligible for Title IV-E reimbursements, a Title IV-E–eligible child must be placed in a fully licensed foster home or licensed private child caring institution that also meets the requirements of Qualified Residential Treatment Program (QRTP) facilities, which provide specialized treatment services for youth. Children placed with unlicensed relatives are not eligible to receive Title IV-E payments but are still eligible to receive foster care payments financed without federal Title IV- E funding. Typically, Title IV-E eligibility ends at the age of 18, but there are circumstances where exceptions can be made. A child in high school or vocational training as well as youth who are in the Young Adult Voluntary Foster Care (YAVFC) may receive Title IV-E funds past the age of 18.

Title IV-E funds can be used as subsidies paid directly to foster care providers and can also be given as a partial federal reimbursement for foster care or adoption services provided to a child. Title IV-E funding covers only a portion of foster care payments, with the state funding the remainder. The funding split is determined by the Federal Medical Assistance Percentage ([FMAP](#)). The current FMAP rate is 64.94% federal funding contribution to the state’s 35.06% funding contribution. Administration costs, which consist of the support work of agencies and caseworkers, within the Foster Care Payments line item are funded by an equal 50% federal funds and 50% state funds. As discussed below, child welfare cases are classified as either court wards or state wards, depending on who has been charged with supervision of the child. Federal Title IV-E funding can be used for either wardship classification as long as the child is eligible based on the federal criteria noted above.

NON–TITLE IV-E FINANCING DETERMINATIONS

The portion of child welfare cases that are not eligible for Title IV-E funds are paid through either the [Foster Care Payments](#) line or the [Child Care Fund](#) (CCF) line. There are two main case types that are funded by state and local funds within the two lines: state ward cases and court ward cases.

State ward typically refers to juvenile cases when parental rights have been terminated by the courts or when children are committed to DHHS through the probate courts. These cases are paid for out of the Foster Care Payments line, with the state paying first and the counties reimbursing the state with their respective share of the cost. State ward cases also include youth who have been sent to one of two state-operated juvenile facilities in the state, Shawono and Bay Pines centers. State ward costs are primarily shared evenly between the county and the state.

Court ward typically refers to children who are placed in temporary foster care after being removed from the home for cases of delinquency as well as abuse and neglect. Unlike with Title IV-E cases and state ward cases, case and placement supervision for court ward cases can remain within the counties. These cases (which are not Title IV-E reimbursable) are paid for out of the Child Care Fund line. The state and counties each have their own CCF lines that they use to fund child welfare services. County CCFs are funded by a combination of county tax dollars and donations. Much like the process of federal Title IV-E determination, CCF funding is dependent on certain factors of a child’s case involving placement and case type. Court ward costs are primarily shared evenly between the county and the state.

Prior to FY 2019-20, court ward costs that were not Title IV-E–eligible were first paid by the respective county, and then the state reimbursed the county for its share of the cost. In FY 2019-20, a state-pays-first model was adopted, through [2018 PA 22](#), in which the state pays the entire cost of residential and foster care payments of court ward cases under the direct placement and care of DHHS, which then bills the counties for their share of the cost. According to [testimony](#), the state-pays-first model is meant to help relieve the financial burden on counties to cover all child welfare expenditures until reimbursement was received for cases in which counties were not providing case management. The reimbursement method for cases where counties are providing case management and placement

supervision remains the same, where providers are first paid by the counties, and the county then bills the state for its portion of the cost.

The state's CCF line pays for 100% of the cost of foster care services for children in their direct placement and care and 50% of the cost for foster care services for children under the placement and care of the counties. Inversely, a county's CCF line pays for 100% of the cost of services for children under their placement and care and 50% of the cost of services for children placed under the state's placement and care.

COST-SHARING AGREEMENTS

There are three primary state/county cost-sharing agreements that do not follow the 50%/50% cost-sharing model. First, private child placing agency administrative costs do not require county funds but are covered entirely by the state. This started in FY 2018-19 as the state began to increase the reimbursement rates to account for reducing the case-to-worker ratios, which DHHS caseworkers were also undergoing, as required under the children's rights settlement agreement.

Second, counties fund the initial cost of their in-home child welfare programming and supportive services such as behavior health interventions. Starting in FY 2023-24, under 2023 PA 297, the state is responsible for 75% for the cost of these in-home services; prior to the current year, these costs were shared 50% county/50% state. For state in-home programming, the state primarily uses federal block grant funding and does not request reimbursement from the respective county.

Third, starting in FY 2020-21 and until October 1, 2024, the state will reimburse counties for 100% of the cost of delinquent juvenile justice services for youth aged 17 at the time of their offense as part of the [Raise the Age program](#). After October 1, 2024, these costs will be reimbursed in the same manner as the services provided to youth under the age of 17.

There are some cases in which a child can hold the legal status of both a state ward and a court ward. This is known as a dual ward. A child can be designated as a dual state and court ward if they have concurrent abuse and neglect and delinquency cases. Payments for dual state and court wards are funded from the Foster Care Payments line. Dual ward can also refer to a case where the child holds two legal court ward statuses, such as Delinquent Court Ward and Permanent Court Ward, or two legal state ward statuses, such as State Ward Delinquent Act 150 and Permanent Court Ward. Dual court ward cases receive payments from the Child Care Fund line, while dual state ward cases receive payments from the Foster Care Payments line.

CHILD WELFARE FUNDING DETERMINATIONS

The flow chart below summarizes the case funding determination process after a probate court has ordered the child removed from their home.

