NEBRASKA CHILD WELFARE FINANCING PRIMER

APRIL 2015

ACKNOWLEDGEMENTS

This primer was researched and written by Jennifer Miller and Rebecca Robuck of ChildFocus, Inc. It was authored in partnership with an advisory committee of child welfare experts in Nebraska, who are listed in **Appendix 2**. We thank them for their support of the project and their commitment to children and families in Nebraska. This primer was made possible through generous support from the Sherwood Foundation.

INTRODUCTION

Child welfare stakeholders in Nebraska are dedicated to making the best possible use of state, federal, and private funding to achieve safety, permanency, and well-being for all children who touch the child welfare system. Recent funding innovations for children and families in crisis include a federal child welfare demonstration program that allows the state to use federal funding more flexibly to prevent further involvement in the child welfare system, and a new state law that dedicates funding to achieve better outcomes for young people transitioning from foster care. In recent years, the state has also successfully reduced the number of children entering foster care, reduced the number of children placed in group settings as a first placement, and increased adoptions, all of which point to better use of taxpayer dollars. Many of these efforts have paid off: As of February 2015, Nebraska is now in compliance with all six measures assessed through the most recent federal Child and Family Service Reviews (CFSRs).[1]

Despite these laudable gains, Nebraska can do more to invest wisely to achieve the best possible outcomes for the children and families it serves. Outcome areas where Nebraska continues to fall short include:

- **There are too many children in foster care:** Nebraska continues to remove children from their families at rates that consistently exceed the national average. Although the agency also reunifies children with their families at a rate higher than the national average, and the state has seen a decline in total child welfare caseloads, the state continues to struggle to keep children in their own homes.[2]
- **Children are staying in foster care too long:** Although more than half of the children in foster care in Nebraska leave for a permanent home within 15 months, one quarter of children in foster care remain in care for more than eighteen months.[3]
- **Too many children re-enter foster care after being reunified with their families:**

1 Although the Child and Family Services Review has recently been revised to include additional measures, this is the first time that Nebraska has been in compliance with the six original measures, which include: absence of the recurrence of maltreatment, absence of maltreatment while in foster care, timeliness and permanency of reunification of children with their families, permanency for children in foster care, and placement stability.

2 Office of Inspector General of Nebraska Child Welfare, *Annual Report 2013-2014,* issued September 15, 2014.

3 *2013 Kids Count in Nebraska Report*. Voices for Children in Nebraska, 2014.

About 20% of children in Nebraska who exit foster care to return home re-enter the system, which is higher than other states.[4]

The struggle to achieve positive outcomes for Nebraska's child welfare system is, in part, a function of how it is funded. A more effective and accountable financing system would ensure there is adequate funding to support a full continuum of child welfare services.

The child welfare field has long recognized that the federal child welfare financing system creates disincentives to helping children stay in their own homes and communities. As a result, all states struggle to find the most effective blend of available federal funding, and they must fill in the gaps with state investments. Additionally, because the issues that bring children and families to the attention of the child welfare system vary, Nebraska and other states must seek all available opportunities to integrate funding from other systems that serve vulnerable populations.

Given the role of funding in any effort to improve outcomes, this child welfare financing primer addresses the following questions:

- How does Nebraska use key federal funding sources available to support child welfare activities?
- What is the state's investment in child welfare services and supports?
- How are other systems integrated with child welfare to support children and families at risk of or already involved in the child welfare system, including the role of public-private partnerships in this integration?

HOW INFORMATION FOR THIS PRIMER WAS GATHERED

The information for this report is derived from a combination of published reports and interviews with key child welfare stakeholders in Nebraska and nationally. The overall focus of and content in the report was also informed by an Advisory Committee represented by individuals with deep knowledge of the child welfare system in Nebraska. A full list of sources can be found in **Appendix 3**.

The federal financing data used in this report comes from the most recent survey of state and federal spending on child welfare conducted by Child Trends. Entitled *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2012*, the survey was published in the fall of 2014 and contains the most up-to-date national information on federal and state expenditures on child welfare services. Although the survey is the most comprehensive resource available for the wide array of federal funding streams for child welfare, a limitation is the inability to use more recent data. Wherever possible, this report includes descriptive information gained from Nebraska child welfare experts about any changes to the use of federal funding streams since 2012.

4 Jennifer Haight, *Foundational Child Welfare Outcomes or The Profile Reports*, Chapin Hall, Public Presentation to the Nebraska Children's Commission, January 21, 2015.

Information about state-level expenditures was obtained from the state legislative fiscal office, the Nebraska Department of Health and Human Services, and legislatively required reports on the child welfare system. The most recent state level data is available for SFY 2014. Although the state-level data is more up-to-date than the federal data, the different reporting years for federal and state data present an additional limitation of this report.

KEY FINDINGS

Key findings about Nebraska's child welfare financing system include:

1. **There is little accountability for state spending on child welfare.** 71% of Nebraska's state child welfare funding is in a subprogram called "child welfare services" within program 354 of the state budget. Publicly available state documents do not clearly articulate how this source of funding is used. The lack of understanding about the specific contents of this subprogram makes it difficult to understand how Nebraska's considerable state investment in child welfare is working to support a full continuum of child welfare services.
2. **Nebraska is not taking full advantage of the array of federal funding sources available.** Nebraska's use of federal Title IV-E foster care and adoption funding – the largest source of federal funding available for child welfare – is one of the lowest in the country. While recent efforts in the state have helped to increase the use of Title IV-E, many agree that more can be done to take full advantage of Title IV-E in the future. Additionally, compared to other states, Nebraska is also a relatively low user of TANF and Medicaid as a proportion of its overall child welfare spending.
3. **Nebraska lacks an overarching plan for the use of state, federal, and private dollars across the child welfare continuum, including the integration of funding from other systems.** Without a comprehensive plan for funding the full continuum of child welfare services, it is unclear how dollars are used to achieve core child welfare outcomes. For example, it is difficult to assess how much child welfare funding is dedicated to out of home care vs. helping families stay together. Additionally, there is no clearly articulated plan for how funding from other systems works to support families at risk of or already involved with the child welfare system.
4. **The role of the private sector as a partner in financing child welfare services is still evolving.** Efforts to fully privatize child welfare services in Nebraska were suspended in 2012, yet the state continues to contract with private agencies for key services, and 42% of the state's child welfare population is still a private agency responsibility. Questions remain about how the state can effectively partner with the private sector to achieve better outcomes for children and families, and private sector contributions to child welfare financing in the state are not well understood.

PRINCIPLES THAT SHOULD GUIDE EFFECTIVE CHILD WELFARE FINANCING

Child welfare financing should be guided by principles that reflect the outcomes Nebraska seeks to achieve for children and families. The following principles are consistent with those developed by national organizations advocating for similar reforms in the federal child welfare funding system, and have been adapted for this report in consultation with leading national, state, and Nebraska child welfare advocates.[5]

1. Child welfare funding should be aligned with the primary outcomes Nebraska is striving to achieve for children and their families – safety, permanency and well-being. These outcomes are the core outcomes measured through the federal government's child welfare accountability framework, the **Child and Family Services Review**.
2. Child welfare funding should be available for services to all children who are at risk of or have already experienced abuse and neglect. These services should be available in the right place (at home or in the community whenever possible), at the right time (preferably before children and families are in crisis) with the most appropriate duration, intensity, and mix of services to meet child and family needs.
3. Child welfare funding should be equitably distributed to support a continuum of interventions for children and families that are evidence-based and/or evidence-informed, including:
   - Early intervention to prevent abuse and neglect from occurring;
   - Timely and effective response to children at risk of abuse and neglect to help keep families together; and
   - Urgent attention to safety, timely permanency (reunification, adoption or guardianship), and well-being for children in out-of-home placement.
4. To achieve the best possible outcomes for children and families, child welfare funding should be combined with funding from other systems that address the full range of children and family needs, including mental health, health, substance abuse, family economic stability, housing, and more.
5. Funding for child welfare should be enhanced through well-defined public-private partnerships in which private child-serving agencies receive adequate resources, and are held accountable to achieve specified outcomes for children and families.
6. Child welfare funding should represent a balanced partnership between federal and state governments in which available federal resources are maximized to achieve intended outcomes, and state funding is used to fill in gaps in services.
7. Any savings resulting from serving children within their families and communities, and therefore avoiding more expensive forms of placement (i.e. group homes and shelters),

5 This includes the Alliance for Strong Families and Communities, the American Public Human Services Association, and the National Organization of State Associations for Children.

should be reinvested in other services and supports designed to keep children out of the child welfare system.

8. Youth and their families should be meaningfully engaged to inform the development of policies, programs and services supported with child welfare funding.
9. Child welfare funding should support core services and supports for children and families while also maintaining enough flexibility to invest federal and state dollars in testing new models to achieve better child welfare outcomes.
10. The State should be fully accountable for using state and federal funding to achieve their intended outcomes, including a publicly available budgeting and accounting system that clearly delineates how funding is achieving the federally-required outcomes of safety, permanency and well-being.

HOW DOES NEBRASKA USE FEDERAL FUNDING FOR CHILD WELFARE?

There are five major sources of federal child welfare funding in Nebraska and nationally: (1) Title IV-E, (2) Title IV-B, (3) Temporary Assistance for Needy Families (TANF), (4) the Social Services Block Grant (SSBG), and (5) Medicaid.

Charts 1 and 2 show how these funding streams break down at the national level and in Nebraska. Relative to other states, Nebraska is a low user of Medicaid and TANF funding for child welfare as a proportion of total federal dollars spent on child welfare.

Fewer families are eligible for federal foster care every year simply because they do not meet a low-income standard that was established almost two decades ago.

Chart 3, on the following page, provides a breakdown of federal spending in Nebraska over time. Title IV-E has consistently been the largest source of federal money spent on child welfare, while Medicaid spending has declined dramatically since SFY 2002. These trends will be explained in more detail in the sections that follow.

CHART 1. Breakdown of Federal Child Welfare Spending in Nebraska, SFY 2012

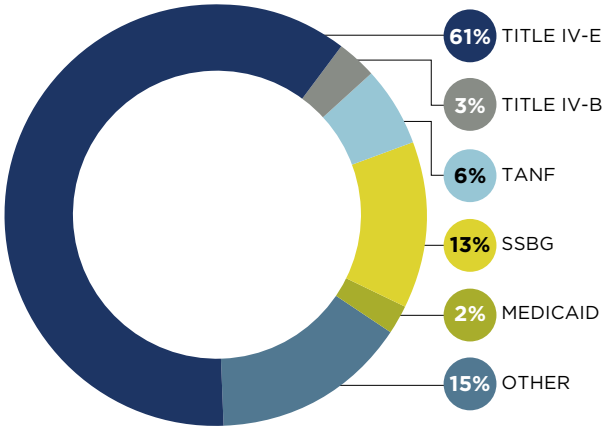


CHART 2. Breakdown of Federal Child Welfare Spending Across All States, SFY 2012

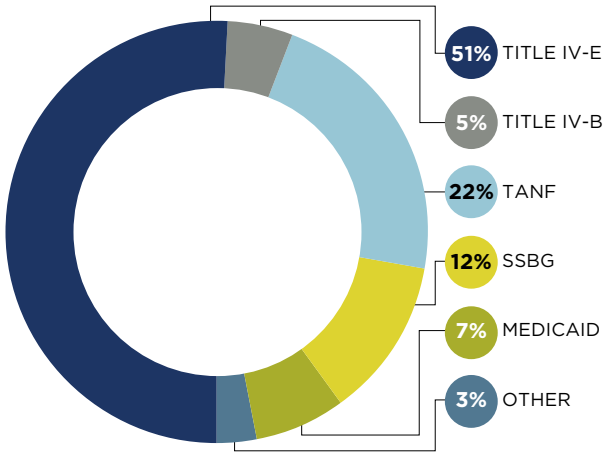
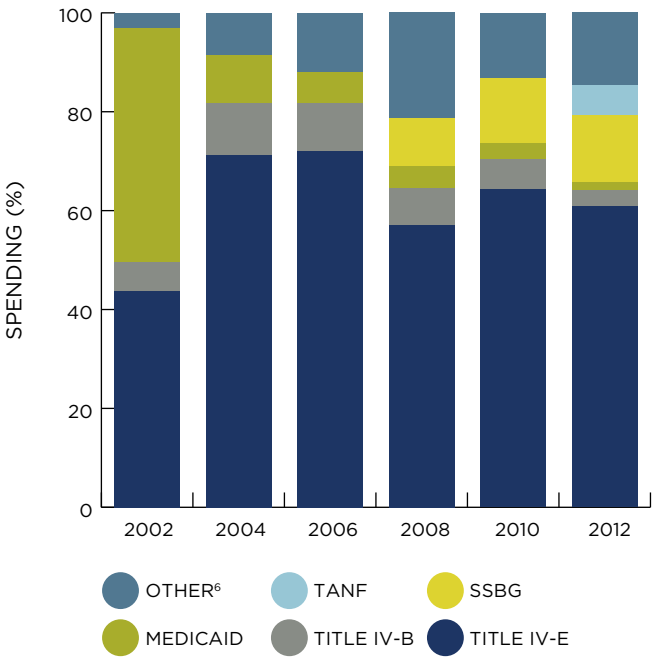


CHART 3. Breakdown of Federal Spending in Nebraska, SFY 2002-2012



TITLE IV-E FOSTER CARE AND ADOPTION

The largest source of federal funding for child welfare, Title IV-E of the Social Security Act, provides funding for child welfare programs, expenses, and administration related to foster care and adoption. It comprises just over half of all federal child welfare spending nationally, and almost two-thirds of federal child welfare spending in Nebraska.

Title IV-E has four major components:

- **Foster Care**, which provides federal reimbursement for a portion of states' costs related to children in foster care, such as room and board, caseworker time, and program-related data. The federal government generally reimburses between 50% and 83% of foster care maintenance payments (room and board), 75% of training, and 50% of all other eligible program costs. In Nebraska, the federal reimbursement rate for foster care maintenance payments, often referred to as "FMAP," is 56%.
- **Adoption Assistance**, which provides federal reimbursement for ongoing assistance to families who adopt children with special needs from foster care.
- **Guardianship Assistance**, which provides federal reimbursement for ongoing assistance to kinship guardians (relatives and those with a family-like relationship to the child) caring for children who were in foster care.
- **Chafee Foster Care Program**, which provides funding for independent living services and life skills training services and supports for older youth in foster care.

In Nebraska, Title IV-E has been declining as a proportion of total child welfare spending in the state, a pattern consistent with national trends. The main reason for this decline in eligibility is that Title IV-E has long been tied to an outdated income eligibility standard established in 1996, which has not been updated to keep pace with inflation. This means that fewer families are eligible for federal foster care every year simply because they do not meet an income standard that was established almost two decades ago. (For more information about this issue, see the text box on page 9.)

6 "Other" is defined by the Child Trends survey as child welfare funding from the Child Abuse Prevention and Treatment Act (CAPTA), the Children's Justice Act (CJA), the Adoption Opportunities Program, Supplemental Security Income (SSI), and other smaller funding streams.

What does it mean for children in foster care to be eligible for Title IV-E?

Title IV-E is an open-ended program (often referred to as an "entitlement") that reimburses states for certain costs associated with their foster care and adoption programs for all eligible children. Eligibility for Title IV-E foster care is tied to the family's eligibility for a program that no longer exists, Aid to Families with Dependent Children (AFDC), the welfare program that preceded TANF (Temporary Assistance for Needy Families). This antiquated link (sometimes called the "foster care look back" provision) means that the federal government will only reimburse states for funding spent on children whose parents meet the minimum income requirement in the 1996 AFDC program; and because the eligibility requirement has never been adjusted for inflation over the past two decades, the number of families who meet this income requirement decreases with each passing year. While Congress eliminated the look back for adoption in 2008, the foster care look back remains and results in fewer and fewer children being federally eligible every year.

In Nebraska, the dwindling number of Title IV-E eligible children has been magnified because the state's minimum AFDC requirement in 1996 was particularly low – approximately $673 per month for a family of three. The result is that if a child is removed from their home and placed into foster care today (in 2015), the state can only receive federal reimbursement for that child if his/her family income is less than $673 per month.

In addition to financial eligibility requirements, there are other requirements for federal reimbursement for Title IV-E, which include: A judicial finding that staying in their own home would be "contrary to the welfare" of the child; a judicial finding that "reasonable efforts to prevent removal" were made by the state agency; and a requirement that the child is in a licensed foster care setting.

Title IV-E funding is poorly aligned with child welfare outcomes because it provides an open-ended source of funding for children who are placed in foster care, but does not cover the costs of keeping children safely in their homes. The types of services that can help families stay together can only be covered by more limited funding available through Title IV-B programs, Medicaid, or other state and federal funding sources.

In 2012, Nebraska spent $29,952,711 in Title IV-E dollars – representing about 61% of total federal dollars spent on child welfare in the state. By comparison, Title IV-E represents about 51% of total federal spending nationally. The breakdown of spending on the programs within Title IV-E in Nebraska is comparable to that of other states nationally, with the Foster Care program comprising about 57% of total Title IV-E expenditures, Adoption Assistance comprising a little more than a third, and the Chafee and Guardianship Assistance Programs accounting for the rest.

Charts 4 and 5 show the breakdown of Title IV-E spending in Nebraska and nationally (SFY 2012):

CHART 4. Breakdown of Title IV-E Spending in Nebraska, SFY 2012

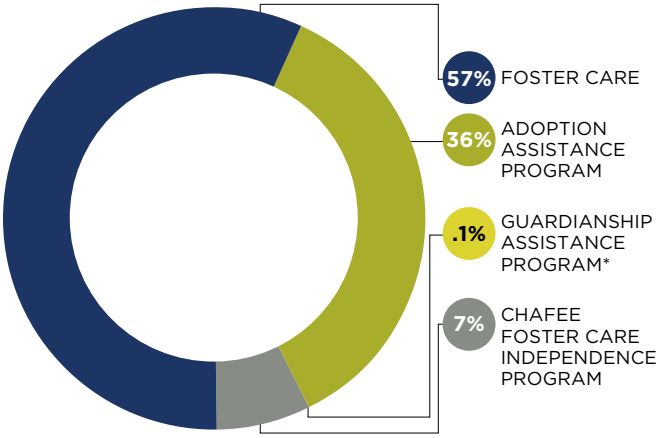
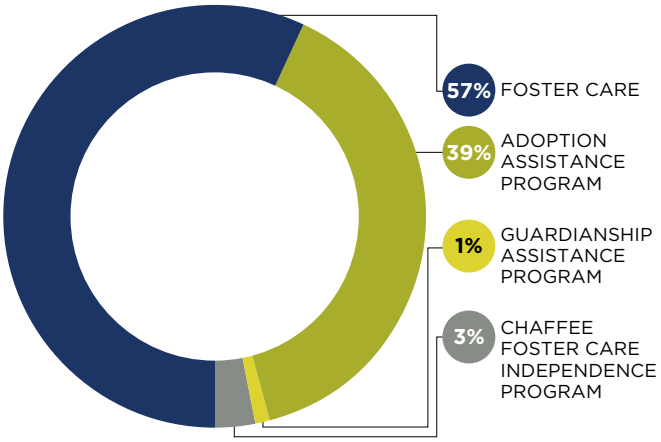


CHART 5. Breakdown of Title IV-E Spending Across All States, SFY 2012



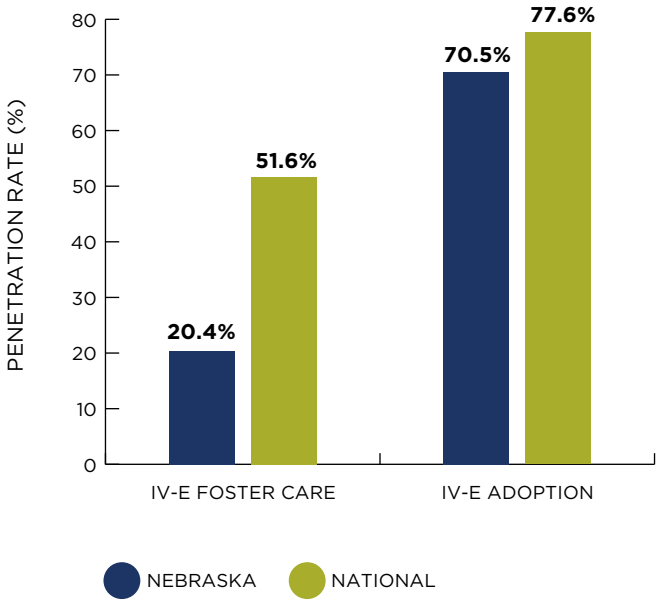
NEBRASKA'S TITLE IV-E PENETRATION RATE

Nebraska's Title IV-E foster care penetration rate – that is, the percentage of children in care who are receiving federal reimbursement through the Title IV-E program – is about 20.4% for foster care, which is low compared to the national average of 51.6%. In fact, Nebraska has the second lowest Title IV-E foster care penetration rate in the nation. According to the Child Trends survey, Nebraska state administrators indicate that the primary reason for this comparably low penetration rate is that 71-80% of the children in foster care in Nebraska are ineligible for Title IV-E because their parents' income does not meet eligibility requirements, or because the other necessary judicial determinations have not been made as required by federal law (see text box on page 9 for more information about Title IV-E eligibility requirements).

Nebraska's Title IV-E penetration rate for adoption is more in line with, although still lower than, the national average: 71% (Nebraska) compared to 78% (national average).

Chart 6 shows the breakdown of Title IV-E Penetration Rates for IV-E Foster Care and IV-E Adoption Assistance in Nebraska and Across All States, SFY 2013.

CHART 6. Title IV-E Penetration Rates for Title IV-E Foster Care and Title IV-E Adoption Assistance in Nebraska and Across All States, SFY 2012



Research conducted for the legislature by Public Consulting Group in 2012 revealed that the state might not be claiming Title IV-E funding to which it is entitled. The analysis found that "Nebraska spends a significant amount of state general funds on services and expenditures that are reimbursable with Title IV-E funding." It also found that the agency is not currently claiming all allowable Title IV-E maintenance and administrative costs. Conversations with Nebraska stakeholders suggest that the Department has made some progress on increasing its federal reimbursement rates since the report was released. Recent efforts, for instance, have led to improved judicial documentation and licensing efforts necessary for IV-E eligibility. However, many Nebraska stakeholders agree that more can be done to maximize these resources.

Nebraska's penetration rate for Title IV-E is particularly important because the state's historical spending on Title IV-E (referred to as the "Title IV-E baseline") is used to calculate the amount the state receives under the Title IV-E waiver demonstration. Given that the demonstration program is time limited, it is also important to continue making improvements to how this funding stream is used in the event that HHS does not renew Nebraska's waiver. Various federal funding reform proposals throughout the years have also relied on state Title IV-E baselines to calculate the amount states would receive if all or part of the open-ended funding shifted to a capped program. These two factors – a time limited waiver demonstration that relies on historical baselines, as well as continued conversation about the use of the Title IV-E baseline to determine state allocations under federal financing reform proposals – underscore the importance of continued state attention to how it uses Title IV-E.

NEBRASKA'S TITLE IV-E WAIVER DEMONSTRATION

One strategy available to states to address the restrictions of Title IV-E funding is the Title IV-E Waiver Demonstration. Administered by the Administration for Children and Families (ACF) within the U.S. Department of Health and Human Services (HHS), Title IV-E waivers allow states with an approved plan to use their federal Title IV-E dollars more flexibly so they can pursue innovative practices in child welfare that would not be reimbursed under traditional program rules. As a trade-off for the flexibility, Title IV-E funding is capped for the five-year period of the demonstration. Nebraska successfully applied for and was granted a waiver in 2013.

According to the Terms and Conditions agreed upon by Nebraska and the federal HHS, the overall goals of the demonstration are to improve outcomes for children and families served and to decrease re-entry into the system. Specifically, the Demonstration project will:

1. Provide an Alternative Reponses (AR) model as an alternative pathway for families to traditional Child Protective Services (CPS) investigations; and
2. Incorporate Results-Based Accountability into the State's contract and performance management systems for contracted child

welfare service providers in order to better measure child and family outcomes.

A federal requirement of the waiver program is that it must be cost-neutral. Given these cost neutrality requirements, Nebraska will not see any increase in federal funding as a result of the waiver. A base amount of $25,041,242 is given to the state each fiscal year to fund the waiver demonstration project, with slight variations to that amount calculated for each fiscal year of the waiver's existence; these amounts are determined by the U.S. Department of Health and Human Services based on Nebraska's spending data in recent years. This base amount is the only federal funding the state will receive for the duration of the demonstration program to cover maintenance and administration costs. Also, any savings realized as a result of the waiver must be re-invested into Nebraska's child welfare system.

For more information about the waiver, please see the **Terms and Conditions** document. These terms and conditions include information about how the amounts are calculated each year, which may have implications for what can be accomplished through the waiver.

NEBRASKA'S TITLE IV-E DISALLOWANCE

The disallowance was due to an accounting error in which the state claimed federal foster care maintenance payments on behalf of private agencies that were providing foster care services. The state over-claimed by failing to account for differential payments made by the private agencies to their foster care providers. Nebraska has since raised the foster care rates and made them more uniform.

TITLE IV-B CHILD WELFARE SERVICES PROGRAM

The Title IV-B program represents approximately 5% of all federal child welfare funding in the U.S. and just 1% of child welfare funding in Nebraska. Unlike Title IV-E, which is open-ended for all eligible children in foster care, Title IV-B provides a much smaller sum of money that can be used flexibly for child welfare services. There are no individual eligibility criteria for children and families, only requirements for the overall use of the funds. Title IV-B includes:

Subpart 1 – Stephanie Tubbs Jones Child Welfare Services funds a variety of child welfare-related activities, including child abuse and neglect prevention, family preservation, promoting safety, permanency and well-being of children in care, and activities to maintain a qualified child welfare workforce.

Subpart 2 – Promoting Safe and Stable Families (PSSF) supports community-based family support services, family preservation services, time-limited family reunification services, and adoption services. States are required to spend a "significant portion" of PSSF funds on each of these four service categories.

Subprogram 2 also includes separate funding for the Court Improvement Program (CIP), which offers grants to improve the courts' role in child welfare services. The CIP in Nebraska provides

training and technical assistance to 25 local multidisciplinary teams including caseworkers, guardians *ad litem*, and judges working across Nebraska to improve court services for children and families who touch the foster care system.[7] Federal CIP money provided to states is divided into three separate grants – Main, Data, and Training. For FY 2015, Nebraska's CIP received a total of $316,133: $108,649 in Main grants, $103,742 in Data grants, and $103,742 in Training grants.

In 2012, Nebraska spent $1,685,266, Title IV-B money on its child welfare programs. The proportion of Title IV-B to total child welfare expenditures in Nebraska is comparable to other states, but, notably, Title IV-B spending in Nebraska dropped considerably between SFYs 2010 and 2012 – by almost 50%. Although other states have also seen a decline in their Title IV-B spending in recent years, no other state saw such a substantial drop from 2010 to 2012. It is unclear why this has occurred in Nebraska.

SOCIAL SERVICES BLOCK GRANT (SSBG)

The Social Services Block Grant (SSBG) provides flexible funding for a range of social services for vulnerable populations, including daycare, protective services, disability services, transportation, substance abuse, housing, employment services, transitional living, case management, adoption, and foster care. It represents about 12% of federal spending on child welfare nationally, and about 13% of federal spending on child welfare in Nebraska. In SFY 2014, Nebraska spent $6,671,319 of SSBG dollars on child welfare.

According to the Child Trends survey, Nebraska uses SSBG dollars primarily for three types of services: (1) Foster care services, including case management for children in foster care but excluding foster care maintenance payments; (2) Protective services, including intake, screening, and child protection investigations or assessments, and in-home services provided during an investigation or assessment; and (3) "Other services," including resource development and social services casework. Across all states, the three child welfare activities most commonly supported by SSBG dollars are foster care services, protective services, and administrative costs.[8]

In recent years, SSBG has been vulnerable to repeated Congressional attempts to significantly reduce or cut it from the federal budget. The growing lack of support for SSBG is due in large part to the lack of accountability for how states use these dollars to support vulnerable populations. Because federal law does not require detailed reporting on how states use this funding source, it is difficult to prove its effectiveness and to organize constituent groups to advocate for its continued support. Some recent proposals call for parts of SSBG to be redirected to achieve better outcomes for children in the child welfare system, but it is uncertain whether there is sufficient provision

7 For more information about Nebraska's CIP program, please see: **www.throughtheeyes.org**.

8 DeVooght, K., Fletcher, M, & Cooper, H. *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2012*, Child Trends, September 2014.

to retain SSBG as a viable source of funding for vulnerable children and families.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Temporary Assistance for Needy Families (TANF) program provides funding to states to help lift families out of poverty. While the primary purpose of the program is not for child welfare services, states are permitted to use a portion of their TANF allocation on child welfare services, including family reunification, parent education, in-home services, and crisis intervention. Nebraska began transferring TANF dollars to be used for in-home child welfare services, including case management, in 2011[9]; prior to that year, no TANF dollars were used to support child welfare services.

TANF child-only funds can be used to subsidize the cost of care for grandparents and other relatives raising children. This is a particularly important source of support for kinship families who are caring for children who are wards of the state but do not become licensed foster parents, or kin who step in to care for children to avoid foster care placement. Eligibility for TANF child-only is based on the income of the child, not the parents. The extent to which TANF child-only is used to support kinship families in Nebraska is unclear.

Nationally, TANF represents 22% of all federal spending on child welfare. In Nebraska, TANF represents about 6% of total federal spending on child welfare ($2,982,427 in SFY 2012). The relatively low utilization of TANF dollars on child welfare services in Nebraska may be due in part to the fact that TANF has only recently been used for child welfare services in the state.[10]

MEDICAID

Medicaid plays a significant role in child welfare services, both nationally and in Nebraska. Federal law requires that all children in foster care who are eligible for Title IV-E are also eligible for Medicaid. States also have the option to extend Medicaid benefits to non-IV-E eligible children; most states have elected this extension. However, after a state-level policy change in Nebraska in 2013, non-IV-E eligible children in the state are only eligible if they are otherwise eligible for Medicaid based on their family income or if they are expected to be in out of home placement for more than 90 days, in which case they qualify based on the child's income.[11]

Nationally, Medicaid comprises 7% of all federal child welfare spending. In Nebraska, it represents just 2%, and that rate has gone down markedly over the past several years.[12] Chart 7 shows the percentage of child welfare spending from Medicaid in Nebraska and across all states.

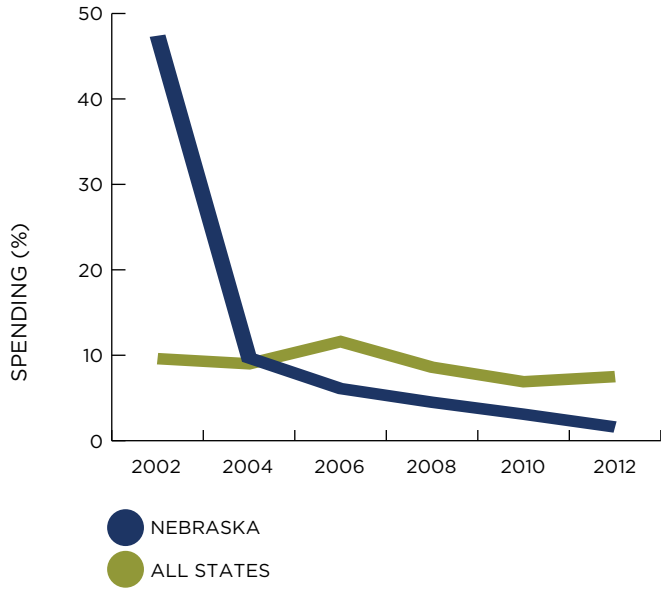
9 Ibid.

10 Liz Hruska, *LR 387 Interim Study Report: A Study to Examine the Purposes and Uses of TANF Funding*, October 25, 2013.

11 The regulation that guides eligibility for Medicaid for children in out of home care can be found at: **http://www.sos.ne.gov/rules-and-regs/regsearch/Rules/Health_and_Human_Services_System/Title-477/Chapter-25.pdf**.

12 For the purposes of the Child Trends survey, states were asked for Medicaid expenditures claimed for child welfare services. They did not report Medicaid spending used to pay for direct health services for children in foster care.

CHART 7. Medicaid as a Percentage of Total Federal Spending on Child Welfare, SFY 2002-2012



As Chart 7 illustrates, many states have seen a decline in their share of Medicaid dollars; however, the decline of Medicaid spending for child welfare services in Nebraska is particularly dramatic, and illustrates a larger shift in the state towards more narrowly defined allowable services under Medicaid. Child welfare stakeholders point to increasing denials for services, particularly the introduction of a managed care contractor to authorize or deny requests for services.

Nationally, state child welfare agencies use Medicaid dollars for rehabilitative services[13] and targeted case management (TCM)[14] to ensure that children and their families have access to a full range of services, including mental health, substance abuse and other therapeutic services.[15] This is particularly important given that Title IV-E only reimburses states for the cost of care, not for services. The data suggests that Nebraska does not make use of Medicaid for child welfare in this way.

When families are involved with the juvenile court system, it can also have an impact on child welfare financing and the use of Medicaid. In many cases, if Medicaid has denied payment, courts will order the child welfare system to provide these services. When this happens, DHHS or NFC must pay for those services for the child. This cost shift from Medicaid to child welfare impacts the total amount of funding needed from DHHS and NFC in order to meet the service needs of families. While there is also a documented rise in families involved in the child welfare system who are not involved with the courts[16] (often referred to as "voluntary cases" or "non-court involved cases"), the impact on use of Medicaid funding for these families is not well understood.

13 The federal definition of rehabilitative services includes "any medical or remedial services (provided in a facility, a home, or other setting) recommended by a physician or other licensed practitioner of the healing arts within the scope of their practice under State law, for the maximum reduction of physical or mental disability and restoration of an individual to the best possible functional level (42 U.S.C. 1396d(a)(13)).

14 Targeted Case Management (TCM) is defined as "case management services provided only to specific classes of individuals," including children in foster care, that are defined in the Medicaid State Plan. More information about what is allowable under Medicaid TCM can be found in the federal guidelines: **http://www.cms.gov/Regulations-and-Guidance/Legislation/DeficitReductionAct/downloads/cm_ta_tool.pdf**

15 DeVooght, K., Fletcher, M, & Cooper, H. *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2012*, Child Trends, September 2014.

16 According to the Office of Inspector General of Nebraska Child Welfare *Annual Report 2013-2014*, the number of families entering the child welfare system as non-court cases rose by 140 families between 2012 and 2014.

OTHER FEDERAL SOURCES OF CHILD WELFARE FUNDING

In addition to the above major funding streams, there are several smaller sources of federal funding for child welfare, described below. These sources, among others, represent about 15% of total federal spending on child welfare in Nebraska – a much larger proportion relative to other states (see **Footnote 6**).

CHILD ABUSE PREVENTION AND TREATMENT ACT (CAPTA)

The Child Abuse Prevention and Treatment Act (CAPTA), originally created in 1974, offers state grants to support state child protection systems and a variety of prevention-related activities. The size of CAPTA grants is fairly small and each state that meets the CAPTA requirements receives a base amount plus an additional amount based on the population of children in the state. There are three types of grants available within CAPTA: state, community-based, and discretionary. In SFY 2014, Nebraska received $190,041 in state grants[17] and $200,000 in community-based grants.[18] It is unclear if these amounts constitute the full amount that Nebraska receives from CAPTA.

Nebraska uses its CAPTA funding to support the following: The Nebraska Alliance of Child Advocacy Centers that serve abused children across the state, the Nebraska Children and Families Foundation for prevention and activities to enhance the capacity of community-based programs to prevent and treat child abuse and neglect, and a range of other programs and activities to raise awareness of child abuse and neglect.

ADOPTION AND LEGAL GUARDIANSHIP INCENTIVES PAYMENT PROGRAM

Authorized in 1998 through the Adoption and Safe Families Act, this program was recently reauthorized in 2014 to include a number of important changes in how the federal government rewards states that increase adoptions and legal guardianships of children from foster care. The 2014 law created four different types of awards:

- $4,000 for an increase in the rate of guardianships from foster care;
- $5,000 for an increase in the rate of finalized adoptions from foster care;
- $7,500 for adoptions and guardianships of children ages 9-13; and
- $10,000 for adoptions and guardianships of children 14 and older.

Since 1998, Nebraska has been awarded a total of $3,622,443 in federal adoption incentive awards. The most recent award was granted in 2013 for $636,523. Awards are generally distributed to states in the fiscal year following finalized adoptions. The award payments cannot be used to supplant existing federal or state dollars invested in child welfare, and states are encouraged to reinvest their bonus payments

17 Author communications with Nebraska Department of Health and Human Services

18 Author communications with Nebraska Children and Families Foundation

into child welfare services. It's unclear how Nebraska has used these award payments.

ADOPTION DE-LINK SAVINGS AND REINVESTMENT REPORTING

In 2008, Congress enacted legislation that includes the "adoption assistance de-link," a provision that eliminates the linkage between adoption assistance and the AFDC income standards (see text box on page 9). The de-link means that by 2016, all children adopted from foster care will be eligible for federal adoption assistance without regard to their parental income.[19] As a result of this change, states stand to save state funding that had previously been spent on adoption assistance for children who were not federally eligible.

In order to capture savings from the adoption de-link and ensure they are reinvested into child welfare, more recent legislation requires states to report on the amount of and method used to calculate the savings and determine how they will be spent to improve child welfare outcomes. The 2014 provision requires 30% of the savings to be invested in post-adoption services, post-guardianship, or reunification services. As with adoption incentives, state reinvestment of savings cannot supplant existing federal or state funds spent on child welfare.

Based on calculations provided by the North American Council on Adoptable Children, Nebraska stands to save approximately $855,000 each year in 2014, 2015 and 2016 as a result of the increased federal support for adoptions from foster care, meaning that $256,000 would need to be invested into post permanency services as required by federal law. It is unclear how Nebraska plans to reinvest these savings.

FEDERAL DISCRETIONARY GRANTS

The Administration for Children and Families administers a number of discretionary grant opportunities available to state and local child welfare agencies. These programs are designed to help states test innovative solutions to some of the field's most pressing problems. Recent grant opportunities have focused on creating trauma-informed systems, addressing trafficking within the child welfare population, achieving educational stability for children in foster care, and serving families involved with the child welfare system who are impacted by substance abuse.

Nebraska DHHS has not received any money from these programs in recent years, and Nebraska stakeholders are not aware that the state has competed for any of the federal requests for proposals. Private agencies are also able to compete for some of these programs, and in 2014 the Nebraska Families Collaborative (NFC) was awarded a $500,000 grant for an Intensive Child-Focused Adoptive Parent Recruitment Program, an 18 month project designed to find permanent homes for children who have been in foster care and awaiting adoption for many years.

19 The adoption de-link provision phases in eligibility by age so that by 2016 all children with special needs adopted from foster care will be eligible for adoption assistance. Eligibility began for children 16 and over in the first year, 14 and older in the 2nd year, 12 and older in the 3rd year, etc.

HOW DOES NEBRASKA USE STATE FUNDING FOR CHILD WELFARE?

The majority of child welfare spending in Nebraska comes from state dollars. In 2012, state dollars accounted for 77% of all child welfare spending, while federal dollars represented just 23% of total child welfare spending. Nebraska's ratio of state spending to federal spending on child welfare is the second highest in the country. Nationally, the average amount of state investment is approximately 46%.

In SFY 2012, Nebraska spent a total of $217,297,440 on child welfare. $168,654,153 of this came from state funding sources, and $49,273,287 came from federal funding sources. Nebraska spent $364.52 state dollars per child and $106.50 federal dollars, or $469.66 total dollars per child on its child welfare services in 2012.

The following chart shows per child state child welfare expenditures, federal dollars, and total (state plus federal) dollars. It demonstrates that per child, Nebraska spends more state and total dollars on child welfare than the national average. It also spends *fewer* federal dollars per child on child welfare services.

CHART 8. Per Child Expenditures, Nebraska vs. Average Across All States, SFY 2012

One possible explanation for the high per child expenditure is that in 2012 (the most recent year for which the above data is available), services for juvenile offenders were paid for by the child welfare agency, which may have inflated the state level spending. As of 2013, juvenile offenders are no longer paid for through child

welfare.[20] It is possible that in the future, state expenditures per child will decrease as a result of this policy shift. According to an Inspector General (IG) report, it is difficult to quantify the fiscal impact of this shift. The IG report also notes that most other states include juvenile justice cases in their child welfare data,[21] so the above chart may be an appropriate comparison of Nebraska's per child expenditures versus that of other states.

State investments in child welfare in Nebraska are essential to ensure that gaps in funding at the federal level can be filled. This is especially true given that the current federal funding structure is so heavily weighted toward funding for foster care, and that eligibility for federal funding continues to decline every year. Due to the waiver demonstration program (described above), Nebraska's federal Title IV-E funding will remain constant for the duration of the waiver, but could decline after the demonstration ends. Furthermore, Nebraska's low utilization of federal funding streams available to support child welfare requires that state funding is invested in efforts to help children and families avoid deeper involvement in the child welfare system.

Charts 9 and 10 show the ratio of federal versus state spending on child welfare in Nebraska and across all states.

CHART 9. State vs. Federal Spending on Child Welfare in Nebraska, SFY 2012

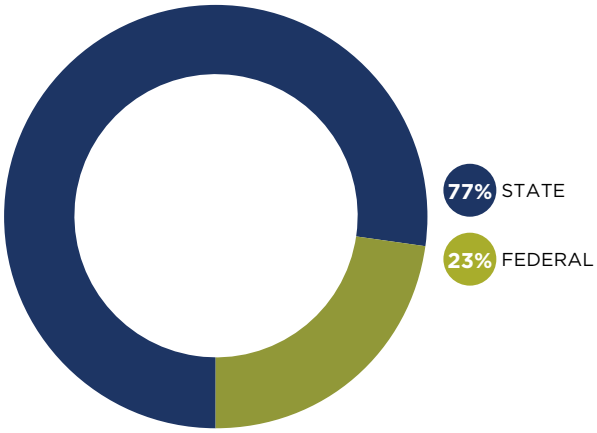
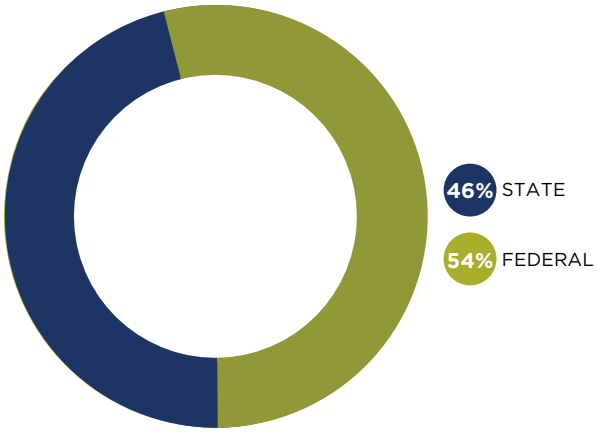


CHART 10. State vs. Federal Spending on Child Welfare Across All States, SFY 2012



MAJOR STATE FUNDING STREAMS

PROGRAM 354

The primary source of state funding for child welfare services in Nebraska is Program 354 – Child Welfare/Aid. According to state documents, the program objectives of Program 354 are to help children, youth and families to: be safe from abuse, neglect and exploitation;

20 This policy shift was made as part of LB 561 in 2013. The law is available at **http://nebraskalegislature.gov/FloorDocs/103/PDF/Slip/LB561.pdf**.

21 The Nebraska Foster Care Review Office, *September 2014 Quarterly Update to the Legislature*, Issued September 15, 2014.

experience stability and predictability in their living arrangements; reach their physical and mental developmental potential; and live in communities that are responsible, supportive, and free from crime.

Program 354 is comprised of eight subprograms that support public and private agencies to provide the following services:[22]

1. **Child welfare:** Provides services to ensure that abused, neglected, dependent, and/or delinquent children are safe from harm or maltreatment, living in a permanent, healthy, nurturing, and caring environment with a stable family, the effects of harm to the child or youth are diminished, and communities are safe from harm by these children or youth.
2. **Predisposition detention:** Provides care and oversight of delinquent youth placed at two state Youth Rehabilitation and Treatment Centers (YRTCs).[23]
3. **Subsidized adoption and guardianship:** Provides ongoing financial support to families that establish permanency for children who were in foster care by obtaining a guardianship or adoption.
4. **Domestic violence:** Provides services to victims of domestic violence to help them establish a healthy and safe environment for themselves and their children. Funding is provided to community-based programs to furnish comprehensive support services, including: emergency services for victims and their families; support programs that meet specific needs of victims and their families; education, counseling, and supportive programs for the abuser; DV prevention programs, such as education and public awareness; and assistance for victims in completing standard petition and affidavit forms for protection orders.
5. **Educational assistance to state wards:** Provides reimbursement to school districts for the cost of educational services and transportation for children who are state or court wards when those services are provided outside the child's resident school district.
6. **Post adoption/guardianship:** Provides support on a voluntary basis after a family has adopted or agreed to be a guardian for a child in foster care. These families can access assistance 24-hours a day, seven days a week through respite care, mentoring, counseling, classes, support groups and other services.
7. **Protection and safety programs:** Provides funding for coordinators at child advocacy centers, training for law enforcement and medical professionals on child abuse and neglect issues, public education and awareness, and home visitation programs.
8. **Adoption and Safe Families Act:** In the past, this has funded the Citizen Review

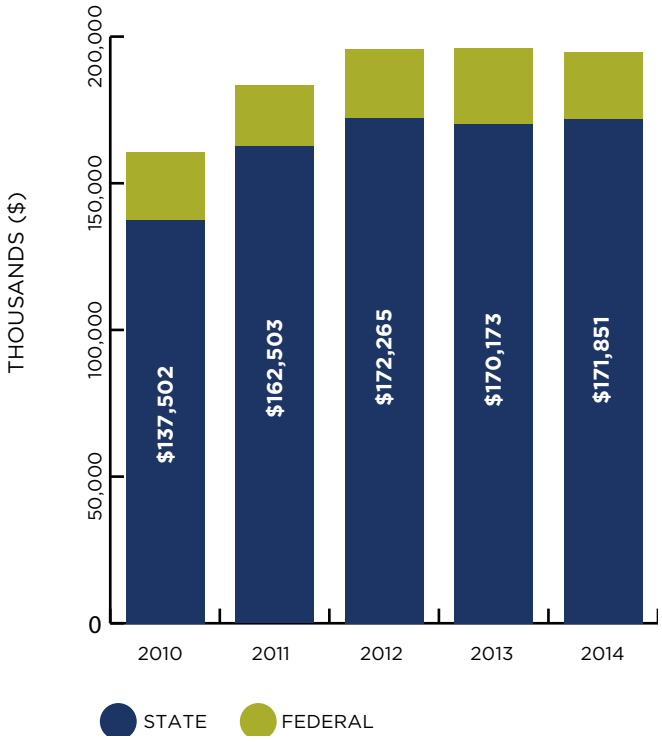
22 These descriptions are adapted from documents provided by the Nebraska Legislative Fiscal Office. More information about Title IV-E Foster Care, Title IV-E Adoption Assistance, and OJS Transitions LB 561, which all appear in Chart 12, were not available.

23 When a young person is detained by the court for a court-ordered evaluation, the county pays for the first 10 days of the detention. For every day of the detention following the first 10 days that the evaluation has not begun, DHHS pays the detention costs until such time as the evaluation begins. Once the evaluation begins, detention costs are paid out of Program 345 , which provides juvenile community-based services and programs..

Panel, Commission for the Protection of Children, and the Child Death Review Team.

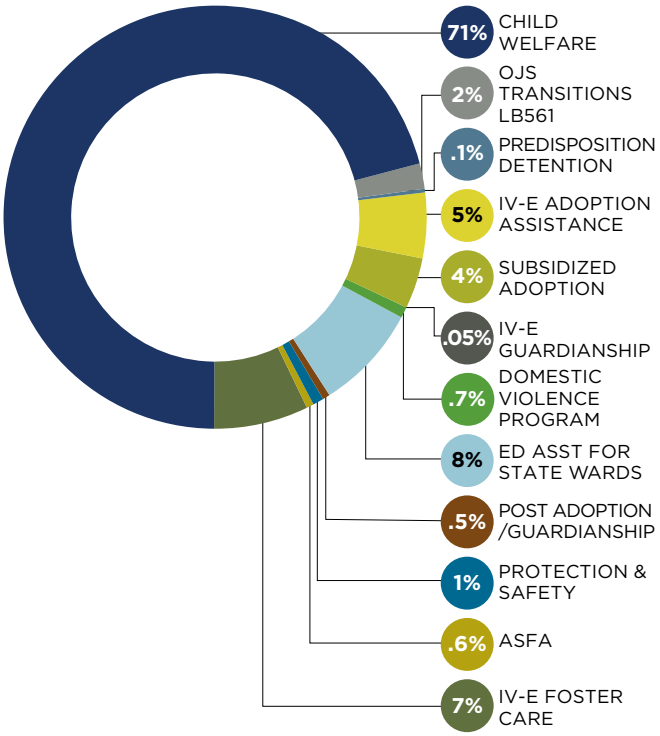
An estimated total of $194,714,364 was spent on services under Program 354 in SFY 2014, including funding from state and federal sources. The values shown in Chart 11 are total state expenditures for that fiscal year:

CHART 11. Program 354 Expenditures, SFY 2010-2014



The breakdown of subprograms within Program 354 is illustrated in Chart 12, and dollar amounts are shown in Chart 13, on the following page. Child welfare represents the largest proportion (71%) of Program 354 funding.

CHART 12. Spending from Program 354 Subprograms, SFY 2014



As shown in Chart 12, 29% of Program 354 funding is broken down into specific programmatic areas, but there is no publicly available data on the remaining 71%, called "child welfare." Prior to 2012, child welfare funding was included under a larger budgetary program, Program 347, Public Assistance, which included TANF and other family support programs. As a result, child welfare dollars were lumped together, which made it even more difficult for lawmakers to understand how those dollars were being spent. Recognizing the lack of transparency and accountability from this arrangement, in 2012 state lawmakers redirected child welfare funding into its own spending category – Program 354.

CHART 13. Spending from Program 354 Subprograms, SFY 2014

SUBPROGRAM NAME	SFY 2014 EXPENDITURE
Child Welfare	$122,633,808
Ed Asst for State Wards	$14,295,518
IV-E Foster Care	$11,340,956
IV-E Adoption Assistance	$8,869,220
Subsidized Adoption	$6,200,727
OJS Transitions LB561	$4,367,297
Protection & Safety	$1,834,852
Domestic Violence Program	$1,175,127
ASFA	$1,047,777
Post Adoption/ Guardianship	$923,753
Predisposition Detention	$127,652
IV-E Guardianship	$81,975

The redirection of child welfare dollars from Program 347 to Program 354 represented a strong first step towards increased accountability in how child welfare funding is spent in the state, yet many questions remain about the use of this funding stream. Without a further breakdown of the child welfare services subprogram, it is difficult to analyze how Nebraska uses its funding to increase effectiveness of current programs, eliminate services that do not work, and scale up promising programs. Questions that could be addressed with further accountability for those dollars include:

- How much investment is there in keeping children in their homes versus in out of home care?
- How can Nebraska ensure that state funding is being dedicated toward programs and services that work to achieve their intended outcomes?
- How can Nebraska use its state child welfare funding in areas that can't be supported with federal resources?
- What more can Nebraska learn about how it partners with private providers to achieve better child welfare outcomes?

HOW ARE OTHER SYSTEMS INTEGRATED WITH CHILD WELFARE IN NEBRASKA?

Children and families become involved with the child welfare system for any number of challenges they are facing: behavioral issues for children and adolescents (including some who may be dually involved with the juvenile justice system), mental health challenges for children and parents, housing, substance abuse, and much more. Given the diversity of child and family needs, it is critical that child welfare funding and services be integrated with other critical services that children and families may need to stay together.

The Office of Inspector General of Nebraska Child Welfare noted in its most recent report that the state lacks a strategic, *coordinated* approach, and that such an approach is necessary to make necessary gains in the future: "Further progress will require concerted effort between agencies among which there are currently high levels of distrust... This is a major barrier to progress in every area because best practices in child welfare require coordinated efforts between all three branches of government and across systems."[24]

The following discussion reviews some of the major funding streams that may be available to families at risk of or already involved with the child welfare system, highlighting the potential for further integration across systems to better serve children and families.[25] It then describes the important role of the private sector in meeting the needs of children and families in Nebraska and the fiscal impact of this evolving public-private partnership.

> *"Further progress will require concerted effort between agencies among which there are currently high levels of distrust... This is a major barrier to progress in every area because best practices in child welfare require* ***coordinated*** *efforts between all three branches of government and across systems."*
>
> – THE OFFICE OF INSPECTOR GENERAL OF CHILD WELFARE NEBRASKA

24 Office of Inspector General of Nebraska Child Welfare, Annual Report 2013-2014. Issued September 15, 2014, p. 10.

25 Dollar amounts for all of these programs were not available to the authors and do not represent all the programs that could be coordinated to benefit families involved in the child welfare system.

OTHER FUNDING STREAMS IMPACTING CHILDREN AND FAMILIES IN THE CHILD WELFARE SYSTEM

PROGRAM 250: OFFICE OF JUVENILE SERVICES

The Office of Juvenile Services (OJS), located within the Division of Children and Family Services within the DHHS, provides supervision, care, accountability, and treatment to juveniles who commit law violations or status offenses. OJS funding is in Program 250 and, due to a legislative change in 2013, includes only those children who are committed to one of the two Youth Rehabilitation and Treatment Centers (YRTCs). In 2014, OJS spent $20,456,596.

At the beginning of FY 2014, the state began to transfer funding from DHHS to State Probation for those children who were not committed to YRTCs and receiving community-based services.In FY 2015, the first full year of the transfer, $39.3 million was transferred. HHS estimated at the time that approximately 2,000 youth would be served by Probation once the transfer was fully implemented.

BEHAVIORAL HEALTH SERVICES

Families involved in the child welfare system, as well as those who are at risk of entering the child welfare system, often face the need for mental health services to address family crises. Children and youth with behavioral issues can place a strain on even the most competent parents, and, in many cases, parents do not have the tools at their disposal to manage these behaviors.

Several programs funded through the Nebraska behavioral health system, child welfare services, and general funds support youth who are at risk of or already involved with the child welfare system. These include:

- **The Nebraska Family Helpline**, a statewide crisis line operated by Boys Town in which mental health practitioners listen to families' issues and provide them with advice and referrals in their communities. This program is supported through funds designated for HHS administration. In SFY 2014, Nebraska spent $1,379,663 on this program.
- **The Family Navigator Program**, a program run by the Nebraska Federation of Families for Children's Mental Health, which in turn contracts with different family organizations across the state. The program funds peer supporters who provide more intensive help to families who call into the Hotline and face issues that are serious enough to warrant more 1:1 support and intervention. This program is funded through Program 38,[26] Behavioral Health Services, and Nebraska spent $926,550 in SFY 2014.

---

26 For the 2012 evaluation of the Family Helpline and Family Navigator programs, please see **http://dhhs.ne.gov/behavioral_health/Documents/HZA-FY12-Evaluation-Report-Final.pdf**

- **Professional Partners**, a high fidelity wraparound program for children with serious emotional disturbances that is funded through a combination of state general funds and a federal Mental Health Services Block Grant. In SFY 2014, Nebraska spent $5,749.557 on this program.
- **Family Peer Support**, which is a replication of the Family Navigator Program and is specifically designed for families involved with the child welfare system. This program is funded through child welfare funds.

Nebraska's approach to behavioral health funding to meet the needs of children and families involved with the child welfare system is reflective of a national challenge to ensure access to mental health services. Given the lack of a more systemic approach to this issue, states find themselves braiding together disparate programs from different funding sources to reach as many families as possible. A stronger national framework that also makes good on the promise of Medicaid as a source of funding for high quality assessment and mediation for mental health interventions is sorely needed.

DEVELOPMENTAL DISABILITY SERVICES

Nebraska is currently implementing a "State Ward Permanency Pilot Project," intended to promote permanency for children in foster care who need developmental disabilities services. The pilot project serves state wards who are eligible for developmental disabilities services but cannot access priority funding to receive an enhanced level of care. The project is collecting data on the impact of the services provided, the number of state wards participating who achieve permanency, the stability of the placements for these youth, and the impact of the support to families before and after permanency is achieved. The data is submitted to the Foster Care Review Office, which will report to the Health and Human Services committee every six months for the duration of the project.

The total amount appropriated for the project in FY15 is $3,000,000, with $972,000 from a transfer of funding from Child Welfare Aid; $528,000 additional General Funds; and $1,500,000 from federal Medicaid matching funds.

HUD FAMILY UNIFICATION PROGRAM

The Family Unification Program (FUP) provides Housing Choice Vouchers for families for whom the lack of adequate housing is a primary factor in the risk of their children being placed in foster care. It also offers vouchers to families experiencing delays in children returning from foster care due to lack of housing. Housing vouchers can also be used for youth ages 18-21 who left foster care at age 16 or older, and who lack adequate housing. FUP vouchers used by youth are limited to 18 months of assistance.

Public Housing Authorities administer the FUP in partnership with child welfare agencies, who are responsible for referring FUP families and youths to the PHA. The PHA partner in Nebraska is the Douglas County Housing Authority.

HOME VISITING

The federal Maternal, Infant and Early Childhood Home Visiting program (MIECHV) in Nebraska, administered by the Division of Public Health, supports pregnant women and families with children up to age five in designated high-risk counties. The goal of the program is to improve health and developmental outcomes for children and families. Nebraska DHHS receives over $1.9 million in federal funds and provides $1.2 million in state general funds for these services. Contracts for these programs were determined through a competitive bidding process, and the services are delivered through contracts with community-based organizations. Healthy Families America is the predominant evidence-based model used.

EARLY CHILDHOOD

Sixpence is an early childhood program in Nebraska for at-risk children birth to age three that provides community-based educational and in-home services. The goal of the program is to improve school readiness for low-income children. Sixpence was created through state legislation, and is funded through a public-private partnership; the public dollars are earnings from $40 million in the Education Lands and Trust Fund, and private dollars come from earnings from a $20 million endowment raised by the Nebraska Children and Families Foundation. More recent legislation appropriated an additional $4 million into the program, and $1 million comes from the state lottery fund. This money is managed by the Nebraska Department of Education, and a Board of Trustees makes decisions about grant awards.

THE CRITICAL ROLE OF THE PRIVATE SECTOR IN NEBRASKA'S CHILD WELFARE SYSTEM

In 2009, Nebraska became the first state in the nation to fully privatize its child welfare services. During that effort, the DHHS contracted with five lead agencies to provide services across the continuum of child welfare. For a number of reasons beyond the scope of this report, DHHS terminated the contracts with four of the five private agencies in 2012. The only remaining private agency contract is with the Nebraska Families Collaborative in the Eastern service area (the Omaha region), which represents 42% of the children who touch the child welfare system in the state. For a map of the service areas in the state, please see **Appendix 4**.

The experience with privatization in Nebraska exposes the complexities of developing a public-private partnership that is cost-effective while also delivering positive outcomes for children and families. In a 2011 state audit report of the statewide privatization initiative, the auditor found that between 2009 and 2011, child welfare costs in the state increased by 27% as a result of the initiative.[27] A separate, independent report completed in December 2014 of the NFC/Omaha privatization pilot

27 Executive Summary, Attestation Report of the Nebraska Department of Health and Human Services Child Welfare Reform (Families Matter) Contract Expenditures, July 1, 2009 through March 31, 2011. Available at **http://www.auditors.nebraska.gov/APA_Reports/2011/SA25-09072011-July_1_2009_through_March_31_2011_Executive_Summary.pdf**.

found that outcomes achieved by private agencies were no different than those achieved by DHHS.[28]

It is important to note that although the statewide privatization effort has been scaled back, DHHS continues to contract with numerous private agencies in the state to provide services for children and families across the child welfare continuum. Often, when public funding streams are not adequate to support the service needs of families served by private agencies, the private agencies will cover these costs through grants, fundraising and other sources. These additional costs are difficult to quantify, but are important to keep in mind as Nebraska considers the total cost of adequately serving children and families involved with the child welfare system.

Often, when public funding streams are not adequate to support the service needs of families served by private agencies, the private agencies will cover these costs through grants, fundraising and other sources.

28 For more extensive background and evaluative information about Nebraska's statewide privatization effort, please see the Nebraska Legislature Performance Audit Committee Report, DHHS Privatization of Child Welfare and Juvenile Services, released in November 2011. Available at **http://nebraskalegislature.gov/pdf/reports/audit/privatization2011.pdf**.

The charts below show the breakdown of children served as well as expenditures per service area in 2014. The expenditure figures in Chart 15 do not subtract NFC's overhead costs, so the Eastern service area's expenditures are inflated relative to other service areas.

CHART 14. Total Children Served, by Service Area, SFY 2014*

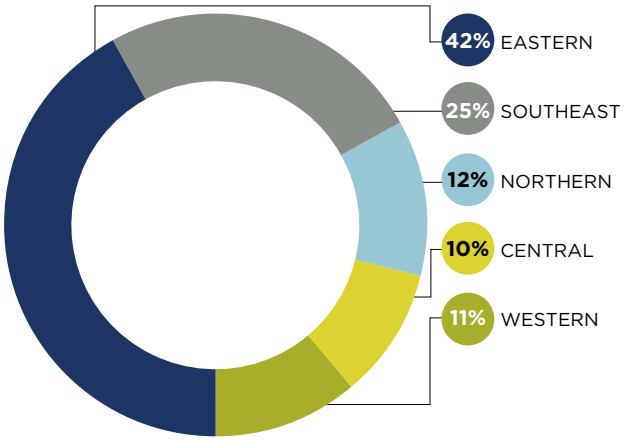
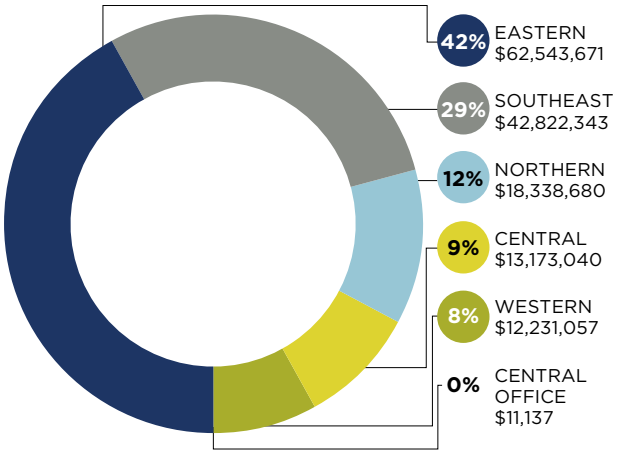


CHART 15. Gross Expenditures, by Service Area, SFY 2014*



* Department of Health and Human Services, *Legislative Report LB 1160 Section 6*, September 15, 2014.

NOTE: Central Office appears only in Chart 15 specifically because "gross expenditures" includes administrative costs but not services provided directly to children in care.

CONCLUDING OBSERVATIONS

The research in this report highlights four overarching challenges for Nebraska child welfare financing. These challenges provide opportunities for Nebraska policymakers, government agency leaders, and child welfare stakeholders to maximize and better coordinate existing funding sources to improve outcomes for children and families in crisis.

First, it is unclear how 71% of the state funding available for child welfare services is currently being invested. More accountability for these funding streams could help decision makers better understand how state funding is used to fill in current gaps and support a full continuum of child welfare services.

Second, Nebraska is currently under-utilizing federal funding sources that are available to support child welfare services. More effective use of federal funds could free up state child welfare dollars to fill in gaps and implement additional creative approaches, including prevention, to improve outcomes for children and families. While recent state investments are laudable, more can be done to ensure that Nebraska uses its state funds for services and supports that cannot be paid for with federal dollars.

Third, Nebraska can find new ways to integrate multiple funding streams and service systems to best meet the needs of children and families. Often, families involved in the child welfare system face challenges that are addressed by other service systems, including health and mental health, income supports, and housing. Better coordination will result in more efficient use of these resources, and better outcomes for children and families. These challenges are reflective of larger systemic problems in the child welfare system, as all states struggle to braid together the appropriate blend of federal and state funding to support children and families in crisis.

Finally, there is a lack of a comprehensive and clearly articulated plan for how federal, state and private dollars work together to improve child welfare outcomes for children and families. Such a plan could address how the state envisions using funding from child welfare sources and other systems to achieve child welfare goals. It could also develop a clearer vision for the role of public-private partnerships in helping the state achieve these goals. With new leadership at Nebraska DHHS, it is an opportune moment to ensure that funding decisions are aligned with systemic goals and foster transparency and accountability.

Financing of child welfare services is complex, and although the child welfare field is moving in a positive direction overall, the federal child welfare financing system does not always incentivize optimal outcomes for children and families. Advocates and policymakers are working at the federal level to craft a child welfare financing reform plan that will ensure more equitable distribution of child welfare funding across the continuum, including in children's own homes and communities. Nebraska stakeholders can become part of this conversation to ensure that federal reform is consistent with and supports state efforts to create a child welfare funding system that is truly responsive to the needs of children and families.

APPENDIX 1: SUMMARY OF NEBRASKA'S USE OF MAJOR CHILD WELFARE FUNDING STREAMS

FEDERAL FUNDING STREAMS

FEDERAL FUNDING SOURCE	SFY 2012 EXPENDITURES	COMMENTARY
Title IV-E	**$29,952,711**	Nebraska has one of the lowest Title IV-E foster care penetration rates (20%) in the country, and may not be taking advantage of all Title IV-E funding that is available. Nationally, Title IV-E is widely recognized as being too heavily weighted toward foster care and sufficient support for helping children stay in their own homes and communities
Title IV-B	**$1,685,266**	According to a survey conducted by Child Trends, Title IV-B child welfare expenditures, one of the more flexible sources of child welfare funding available, decreased by 50% in Nebraska between SFY 2010 and 2012. The reasons for this sharp decline are unclear.
TANF	**$2,982,427**	Nebraska only began using TANF funds for child welfare services (a common practice across states) in SFY 2011, and it is a low user of TANF funds for child welfare relative to other states.
Social Services Block Grant	**$6,671,319**	SSBG represents about 13% of total federal spending on child welfare in the state, which is in line with the national average. It has recently come under fire at the federal level, with numerous legislative proposals to reallocate or eliminate this flexible funding source.
Medicaid	**$791,818**	The percentage of child welfare spending from Medicaid in Nebraska has decreased sharply over the last decade, and represents only 2% of federal child welfare spending in the state.

STATE FUNDING STREAMS

STATE FUNDING SOURCE	SFY 2014 EXPENDITURES	COMMENTARY
Program 354	**$194,714,364**	The primary source of state level funding for child welfare services in the state. The subprogram under 354, called "Child Welfare," accounts for 71% of total expenditures under this program, but it is unclear what this money is specifically used for. Education assistance for state wards and state match for federal foster care and adoption costs make up the majority of the remaining state funds
Office of Juvenile Services (Program 250)	**$20,456,596**	Provides services primarily to juveniles who reside in Youth Residential Treatment Centers and other out-of-home services. Probation services transitioned out of this fund into State Probation in 2014.
Professional Partners	**$5,749,557**	Provides wrap-around services for children with serious emotional disturbances, some of whom may be involved with the child welfare system. Funding for this program has increased steadily since SFY 2010. It is funded through state general funds and federal Mental Health Services Block Grant dollars.
Nebraska Family Helpline	**$1,379,663**	Funded through HHS Administration, the Helpline supports families in crisis and refers them to community-based services to prevent child welfare involvement. Families with serious challenges are assigned a Family Navigator.
Family Navigator Program	**$926,550**	Supports families in serious crisis who are referred through the Hotline to prevent child welfare involvement. This is funded through Behavioral Health Services.
Family Peer Support Program	**$916,221**	A replication of the Family Navigator Program and specifically designed for families involved with the child welfare system. This program is funded through child welfare services.

STATE FUNDING STREAMS

STATE FUNDING SOURCE	SFY 2014 EXPENDITURES	COMMENTARY
State Ward Permanency Pilot Project	**$3 million (FY 2015)**	Pilot program intended to promote permanency for children in foster care in need of developmental disabilities services. The pilot serves state wards who are eligible for developmental disabilities services but cannot access priority funding to receive an enhanced level of care.
Home Visiting	**$1.2 million (state)**	The federal Maternal, Infant, and Early Childhood Home Visiting program (MIECHV), administered by the Nebraska Division of Public Health, supports pregnant women and families with children up to age five in designated high-risk counties. The goal of the program is to improve health and developmental outcomes for children and families.

APPENDIX 2: EXPERTS INTERVIEWED FOR THE PROJECT

PROJECT ADVISORY COMMITTEE

Karen Authier
CEO
Nebraska Children's Home Society

Beth Baxter
Regional Administrator
Region 3 Behavioral Health Services

Sarah Helvey
Child Welfare Program Director/Staff Attorney
Nebraska Appleseed

Liz Hruska
Program Analyst
Nebraska Legislative Fiscal Office

David Newell
President & CEO
Nebraska Families Collaborative

Julie Rogers
Inspector General of Nebraska Child Welfare

Jennifer Skala
VP of Community Impact
Nebraska Children and Families Foundation

Juliet Summers
Policy Coordinator
Voices for Children in Nebraska

OTHERS INTERVIEWED

Mindi Alley
DHHS-Division of Child and Family Services

Katie Bright
Public Consulting Group

Kerry DeVooght
ChildTrends

Stacy Giebler
Nebraska Families Collaborative

Sara Goscha
Public Consulting Group

Jennifer Haight
Chapin Hall at the University of Chicago

Kelli Hauptman
Nebraska Court Improvement Program
at the University of Nebraska

Liz Hruska
Nebraska State Legislative Fiscal Office

Brooke Lehmann
Childworks PLLC

Mary Jo Pankoke
Nebraska Children and Families Foundation

Carolyn Rooker
Voices for Children in Nebraska

Sandy Sostad
Nebraska State Legislative Fiscal Office

Margaret Vacek
Boys Town

Kristin Williams
Sherwood Foundation

APPENDIX 3: SOURCES AND DOCUMENTS REVIEWED

2013 Kids Count in Nebraska Report (2014). Voices for Children in Nebraska, 2014.

DeVooght K., Fletcher, M., & Cooper, H. (2014). *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFY 2012*. Child Trends. September 2014.

DHHS Division of Children and Family Services (2014). *Legislative Report LB 116 Section 6*. September 2014.

DHHS Division of Children and Family Services (2013). *Legislative Report 43-4406*. September 2014.

DHHS (2014). *Report to Appropriations & Health and Human Services Committee Expenditures and Outcomes*.

DHHS (2013). *Report to Appropriations & Health and Human Services Committee Expenditures and Outcomes*.

DHHS Division of Children and Family Services (2014). *Report to Legislature #43-4406*. September 2014.

DHHS Division of Children and Family Services (2012). *Report to Legislature #43-4406*. September 2012.

Haight, Jennifer (2015). *Foundational Child Welfare Outcomes or The Profile Reports*. Chapin Hall. Public Presentation to the Nebraska Children's Commission, January 21, 2015.

Hruska, L. (2013). *LR 387 Interim Study Report: A Study to Examine the Purposes and Uses of TANF Funding*. October 25, 2013.

Nebraska Auditor of Public Accounts (2011). *Executive Summary: Attestation Report of the Nebraska Department of Health and Human Services Child Welfare Reform (Families Matter) Contract Expenditures, July 1, 2009* through March 31, 2011. Available at auditors.nebraska.gov/APA_Reports/2011/SA25-09072011-July_1_2009_through_March_31_2011_Executive_Summary.pdf.

Nebraska Foster Care Review Office. (2014). *September 2014 Quarterly Update to the Legislature*. September 15, 2014.

Nebraska Foster Care Review Office (2014). *June 2014 Quarterly Update to the Legislature*, June 15, 2015.

Nebraska Legislative Fiscal Office (2014). *Agency 25 Health and Human Services Program 250 Juvenile Services Operations*.

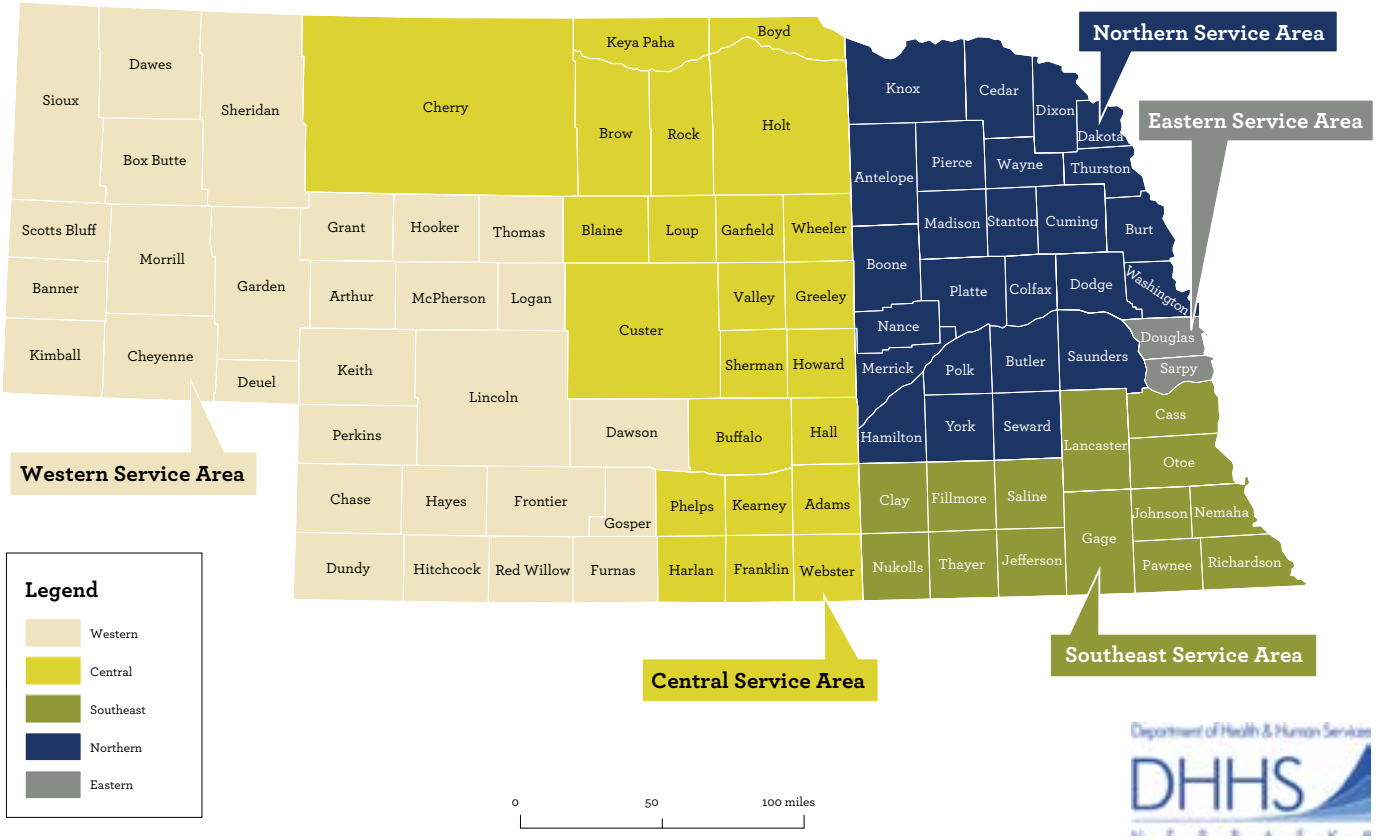
Nebraska Legislative Fiscal Office (2014). *Agency 25 Department of Health and Human Services Program 254 Child Welfare/Aid*.

Nebraska Legislature Performance Audit Committee (2011). *DHHS Privatization of Child Welfare and Juvenile Services*. Available at nebraskalegislature.gov/pdf/reports/audit/privatization2011.pdf.

Office of Inspector General of Nebraska Child Welfare (2014). *Annual Report 2013-2014*. September 2014.

Stoltzfus, E. (2014). *Child Welfare: An Overview of Federal Programs and Their Current Funding*. Congressional Research Service. September 16, 2014.

APPENDIX 4: MAP OF SERVICE AREAS



APPENDIX 5: EXAMPLES OF RECENT CHILD WELFARE FINANCING REFORM PROPOSALS

Numerous organizations have developed proposals over the years to reform the way federal financing works for children and families in the child welfare system. These proposals seek to better align federal funding with core child welfare goals of safety, permanency, and well-being, and to create stronger incentives to safely keep children in their own homes. Below are some of the more recent proposals that make the case for federal child welfare financing reform and outline reform ideas for Congress to consider.

Alliance for Children and Families, American Public Human Services Association, National Organization of State Associations for Children

Framework for Results-Based Financing in Child Welfare

http://www.alliance1.org/sites/default/files/pdf_upload/peter/safe_children_strong_families_cwfr_framework.pdf

Casey Family Programs

White Paper on the Need for Federal Finance Reform

http://www.casey.org/media/WhitePaper-NeedForFinanceReform.pdf

Annie E. Casey Foundation & Jim Casey Youth Opportunities Initiative

When Child Welfare Works: A Working Paper

http://www.aecf.org/resources/when-child-welfare-works-a-working-paper/

Child Welfare League of America (CWLA)

CWLA Finance Reform & Child Welfare: A Balanced Approach

http://www.cwla.org/cwla-finance-reform-child-welfare-a-balanced-approach/

Advocates for Families First

Public Policy Agenda

https://advocatesforfamiliesfirst.files.wordpress.com/2014/06/aff-policy-agenda-for-web.pdf