

Crossroads

New Directions in **Social Policy**

Acknowledgments

Special thanks to the APHSA Board of Directors and National Councils of State and Local Human Service Administrators; APHSA affiliate organizations; and the APHSA membership for their contributions to this publication.

Robin Arnold-Williams

Executive Director,
Utah Department of Human Services

Chair, National Council of
State Human Service Administrators

Elaine M. Ryan

Acting Executive Director

Amy Tucci

Communications Director

Lee Partridge

Health Policy Director

Betsey Rosenbaum

Children and Family Services Director

Melissa Baker

Senior Policy Associate

Larry Goolsby

Senior Policy Associate

Justin Latus

Senior Policy Associate

John Sciamanna

Senior Policy Associate

Amy Plotnick

Manager of Publications Services

Carolyn Benefield

Administrative Assistant



The mission of the American Public Human Services Association is to develop, promote, and implement public human service policies that improve the health and well-being of families, children, and adults.

Founded in 1930.

© 2001 by the American Public Human Services Association
810 First Street, NE, Suite 500,
Washington, DC 20002-4267

Tel: (202) 682-0100

Fax: (202) 289-6555

Web: <http://www.aphsa.org>

Table of Contents

EXECUTIVE SUMMARY	5
SUMMARY OF PROPOSALS	11
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES.	25
FOOD STAMP PROGRAM	37
CHILD CARE	49
CHILD SUPPORT	57
CHILD WELFARE	67
MEDICAID AND HEALTH	89

Executive Summary

BACKGROUND

The 1990s was a decade of profound change for public human service programs. Aid to Families with Dependent Children and the child care entitlement were replaced by block grants; employment and training programs were reconfigured; the State Children's Health Insurance Program was created; the Adoption and Safe Families Act was implemented; Medicaid waivers expanded eligibility and coverage; Supplemental Security Income and Food Stamp Program eligibility was narrowed; and new child support enforcement tools were put into place. Federal reforms devolved greater authority to states, and in turn, state administrators created new partnerships with local governments, community- and faith-based organizations, and the private sector in delivering programs and services.

Federal policy changes, both statutory and regulatory, altered the structure of human service program delivery and design. State flexibility was dramatically increased in the areas of cash assistance and child care; federal waivers sought by states gave rise to new program innovations in Medicaid and children's health insurance coverage. In other areas, however, programs grew in complexity and cost in a way that diminished their effectiveness. Federal regulations governing the food stamp, child welfare, and child support programs afforded states limited flexibility in administration, while year after year, new eligibility restrictions, penalties, and requirements were imposed. For the low-income children, families, and adults who are served by these programs, the growing discontinuity between eligibility rules, requirements, and program goals was palpable.

In the areas where states were afforded greater flexibility, remarkable achievements have been made. For example, in four short years, states have achieved unprecedented success implementing welfare reform that provides compelling evidence that the devolution of authority to states was indisputably the correct course of action. Moreover, early predictions that the welfare reform law would result in increases in child welfare cases, homelessness, and hunger have not been substantiated. The Administration for Children and Families documented these achievements in its *TANF Third Annual Report to Congress*, issued in August 2000. The percentage of working welfare clients reached an all-time high in 1999 and their average monthly earnings and hours of work continued to rise. The percentage of Americans living in poverty continued to decline and child poverty recorded its biggest five-year drop in 30 years. The percentage of the population on welfare fell to its lowest point since 1965; child support collections increased dramatically, and states continued to provide critical TANF-funded supports to millions of families who exited welfare for the workplace. Teenage pregnancy rates have steadily declined during this period and some states have begun to achieve progress in an effort to reduce the number of out-of-wedlock births. In short, states have achieved more success during the past few years with TANF than in any three-year period of robust economic expansion under the former AFDC program.

The Bush Administration and the 107th Congress are presented with a compelling opportunity to eliminate outmoded federal rules and programs, to achieve greater efficiencies and above all, serve children, families, and adults in need with dignity and with an expectation of personal responsibility, future self-sufficiency and independence from government assistance. They can achieve these goals by streamlining administration, aligning program outcomes, and expanding state flexibility in a number of human service programs over the next two years. The Personal Responsibility and Work

Opportunity Reconciliation Act of 1996 (PRWORA), including the Temporary Assistance for Needy Families block grant, the Child Care and Development Fund, the Food Stamp Program, the Promoting Safe and Stable Families Program, the Child Abuse Prevention and Treatment Act, and the transitional Medicaid program are all pending reauthorization. In addition, Medicare reform and the proposed creation of a new prescription drug benefit also may have implications for the Medicaid program. Child support distribution and child welfare financing are topics likely to be on the congressional agenda as well. The breath and scope of the programs pending reauthorization will touch the lives of millions of the most disadvantaged children, families, and adults in the United States.

Recognizing this confluence of programs pending reauthorization, in 1999, the American Public Human Services Association (APHSA) embarked on a year-long effort to examine the effectiveness of current programs and to identify areas for reform. APHSA is a bipartisan organization representing the 50 state human service administrators, hundreds of local administrators, and thousands of program administrators and human service professionals. APHSA members, on the front-line of program implementation, understand how the current federal program rules, funding sources, and requirements conflict or impede their ability to deliver critical services to families in need. For example, states are in the unusual position of sharing responsibility for covering persons eligible to receive both Medicare and Medicaid without being able to affect policy decisions that govern Medicare. The Medicaid and State Children's Health Insurance Program (SCHIP) statutes do not permit blending insurance coverage and continuity of care as children move between programs. Billions of dollars in Head Start funds flow to local governments without respect to the state allocation of the Child Care and Development Fund, missing the opportunity to effectively leverage limited funding sources to reach additional children. The more effective states are in moving families from welfare dependence to work, the fewer resources are available to them to fund their child support programs because the collections once retained by states to operate their programs are now distributed to families. Varying eligibility and data reporting requirements for Temporary Assistance for Needy Families (TANF), the Workforce Investment Act, and the Welfare-to-Work Grant program are vexing for both participants and administrators. Flexible state TANF and Medicaid eligibility rules conflict with restrictive federal Food Stamp Program (FSP) rules, often resulting in declining program participation. Different federal funding streams financing child welfare, Title IV-E, and Title IV-B result in the perverse incentive to remove children from their homes rather than preserve families. These are but a few examples of conflicting federal program rules that should be addressed by the Bush Administration and Congress.

Recommendations

This report, *Crossroads: New Directions in Social Policy*, describes current program challenges and action items that require both congressional and administrative action. This Executive Summary has organized the cross-program recommendations in the following categories: (1) Fundamental Program Reform Agenda; (2) Maintenance and Enhancement of Funding and State Flexibility; and, (3) Regulatory Reform.

PROGRAMS REQUIRING FUNDAMENTAL REFORM

Food Stamp Program

APHSA calls for a comprehensive overhaul of the federal FSP that supports work and preparation for work and expands access for low-income disabled and elderly adults. The time has come for major

changes, not further incremental adjustments to existing law. Both state administrators and food stamp recipients have become extremely frustrated and support for the current program is rapidly weakening. Restrictive eligibility requirements, increased federal micromanagement, and growing disconnection with the flexible TANF program have contributed to a decline in the number of families who receive food assistance. Recipients are working in record numbers while the current food stamp eligibility and quality control rules do not promote work. Clients are penalized when episodic increases of earned income result in a loss of program eligibility.

The TANF and Food Stamp Programs are on a collision course; state flexibility to permit families to maintain certain assets and income while on time-limited TANF cash assistance can make the same family ineligible for food stamps. TANF families receive a strong message underscoring the values of personal responsibility, work, and independence from government assistance. The same values are not communicated to food stamp families; work and self-sufficiency are not an integral component of the program.

For able-bodied adults and families, APHSA calls for simplifying all eligibility rules and recertification processes; creating a time-limited transitional food stamp benefit to aid in the transition from welfare to work; flexibility for states to impose work requirements similar to TANF and restoring benefits to noncitizens.

Elderly and disabled individuals are among the most underserved group of food stamp recipients. Extensive paperwork requirements to obtain medical deductions and low resource limits on saving accounts and vehicles may result in ineligibility. APHSA believes that elderly and disabled individuals in need should be treated with greater dignity in seeking a modest supplement to meet their nutritional needs. For disabled and elderly individuals, APHSA calls for increasing the minimum benefit from \$10 to \$25; including a nutrition supplement as part of the Supplemental Security Income (SSI) payment, and creating an optional benefit cash payment for households with senior and disabled individuals who are not SSI recipients.

Child Welfare Financing Reform

The child welfare system serves some of our nation's most vulnerable and troubled families in crisis and children who have been abused and neglected; children with special medical or mental health needs; or in some cases, delinquent children. The federal government provides a portion of the resources that must be marshaled to provide quality services and achieve positive outcomes for children and families. Title IV-E of the Social Security Act provides matching funds for foster care and adoptions, however, these federal matching funds are available only for the cost of care for low-income children. States pay half the costs for low-income children and bear 100 percent of the costs for all other children. Title IV-B is a capped entitlement for family preservation, support, reunification, and adoption promotion. The majority of federal funding support is disproportionately directed toward out-of-home care—the very part of the system state agency administrators are seeking to minimize. Title IV-B, the source of funding to promote permanency for children, remains underfunded. In fact, the Congressional Budget Office projects that between FY 1999 and FY 2003, spending on removal and out-of-home care will be nine times the amount dedicated to prevention. In addition, the entire system is woefully inadequate to meet growing substance abuse, mental health, juvenile justice, and prevention services.

APHSA recommends a three-pronged approach to financing child welfare services. First, states should be permitted the option to transfer Title IV-E funds to Title IV-B. Also, with respect to Title IV-E,

the federal government should provide matching funds for all children in foster care—not only low-income children. Second, increased resources must be appropriated to ensure child safety through child protective services. Third, safety and permanence must be cross-cutting goals of all human service programs and federal funding barriers must be removed so that services can be provided to families in addition to the eligible child.

Child Support Financing

The child support program has fundamentally changed over the past eight years, increasing uniformity among states' programs and widening the array of tools states can use to collect support. As a result, during the 1990s, child support collections more than doubled and the number of families seeking services increased by 50 percent. There has been a gradual shift in the program's mission from cost recovery—reimbursing states and the federal government for the time families received welfare—to a system of income support. The distribution rules are complex and confusing to families, children, and administrators and may discourage noncustodial parents from paying support that may never reach the child. Under the law, families who leave welfare receive all current child support collections; TANF families receive support only after the state and federal shares are paid. Child support arrears, collected through tax enforcement tools, are paid to states first and collections via all other methods are first paid to families.

Proposed changes in child support distribution would send more of the collections to children and yet this positive outcome also could weaken the effectiveness of the interstate child support system. Many states rely on child support “cost recovery” revenues to fund the operation of their child support program. So, the decision to direct payments to children in the short term may impede states' ability to make future collections on behalf of those families. Given the interstate nature of the federal child support program, the collapse of a program in one state may affect the collection efforts of other states. In addition, the child support payments passed through to families may make a family ineligible for a range of other federal entitlement programs such as food stamps, Medicaid, and child welfare services.

Families and children should directly benefit from child support payments and these payments should improve the self-sufficiency of families and encourage the responsibility of both parents to their children. APHSA believes that this necessitates a shift in focus from a system of cost recovery to a system of income support for children. To accomplish this change, the following elements must be addressed: (1) financing structures and mechanisms; (2) adequate implementation timelines for states; (3) adequate funding for necessary technology support; and (4) state options for how child support payments should affect other state-administered programs.

MAINTAIN AND ENHANCE FEDERAL FUNDING AND STATE FLEXIBILITY

Temporary Assistance for Needy Families

Under the TANF block grant, states have the flexibility to provide temporary assistance to families in need of a broader range of services, e.g., not only cash. Since the enactment of welfare reform, TANF cash assistance caseloads have declined by more than 50 percent. More clients are working than ever before and states are investing in programs to decrease teenage pregnancy, strengthen families, and prevent future generations of children from reliance on welfare. The federal authorization of the TANF block grant ends in 2002 and the debate on the next chapter in welfare reform begins anew. The continued successes of welfare reform in the states are contingent upon three key factors: (1) maintaining the flexibility of the TANF block grant; (2) maintaining a consistent level of federal and

state support for the block grant over the next six-year period; and (3) simplifying and aligning related programs.

Specifically, APHSA recommends the current federal level of support be maintained and increased each year by the rate of inflation over the period of six years. Under this scenario, states will maintain their current level of effort, plus inflation. Recognizing the inadequacy of the current TANF contingency fund, APHSA recommends the design of a new fund that would be available to states in periods of economic decline. The current flexibility afforded states to administer the TANF block grant must be preserved and complex program interactions must be addressed.

Child Care

More federal and state resources are supporting child care services than at any time in U.S. history. The welfare reform act streamlined federal funding streams, allowing states to merge a number of entitlement and discretionary funding sources into a new flexible block grant. The option to transfer TANF funds into the Child Care and Development Fund (CCDF) also allowed states to enhance program design and leverage child care expenditures together in order to extend eligibility to more families, target development funds to meet the needs of infants and toddlers, and enhance the quality of child care services. APHSA believes that the current program flexibility must be maintained and enhanced in areas to permit states to simplify the obligation and expenditure of funds across funding streams. In this way, states can expend fewer resources in sequencing the flow of expenditures and commit more time to improving access and quality of services to children. Second, federal mandatory funding should be increased at least by an additional \$200 million annually. Future funding increases should be as flexible as possible as new set-aside programs are costly to manage and administer. Relationships between federal child care programs should be reevaluated, such as the link between the Child and Adult Care Food Program and the Social Services Block Grant. Wherever possible, categorical federal programs, such as Head Start, should complement CCDF programs, rather than duplicate services to communities.

Medicaid, Medicare, and SCHIP

Medicaid and Medicare collaboration is essential, particularly in the creation of a new prescription drug benefit. Currently, 18 states operate Senior Pharmacy Programs, most using state-only funds to subsidize the cost. In 2000, five states passed legislation to provide some type of pharmaceutical assistance for seniors. As state prescription drug benefits are crafted, state Medicaid administrators, who have experience with this type of service delivery, should be consulted; knowledge of operational issues such as data sharing, beneficiary education efforts, claims payment, and quality goals can be shared with federal policymakers. States should also be granted greater flexibility in controlling escalating Medicaid drug costs through the drug rebate program as well as the flexibility to set copayments for prescription drugs under Medicaid.

The federal government should support state waiver proposals to integrate long-term care for persons dually eligible for Medicare and Medicaid. With respect to cost-neutrality calculations, the federal government should recognize potential cost savings for Medicare, SSI, and Supplemental Security Disability Insurance (SSDI), in addition to Medicaid.

As people move in and out of Medicaid and SCHIP, or between either program and private insurance, assuring continuity of care becomes more challenging. State proposals to assure that a child or family can see the same caregiver regardless of payment source need the support and encouragement of the federal government.

Child Welfare

There needs to be greater flexibility in the Title IV-E waiver process so that states can implement innovative approaches to meet the needs of children and families in protective care of the state. For example, (1) eliminate the limitation on the number of federal waivers nationally and by state; (2) eliminate the requirement for random assignment and control group evaluations that impede statewide approaches; (3) remove the restriction of waivers by topic areas; and (4) allow states to continue waivers beyond five years.

REGULATORY REFORM

In recent months, federal agencies have promulgated regulations that are inconsistent with the law, contrary to program goals, or administratively burdensome. The regulations range from procedures governing the implementation of information technology requirements and federal penalty action to the draw down of federal block grant funds under the Cash Management Improvement Act.

In child welfare, APHSA calls for eliminating federal requirements requiring the licensing of relatives and prohibiting provisional licensing. The regulation is contrary to congressional intent that, whenever possible, children in protective care should be placed with families known to them. Federal policies and timetables dictating Health Insurance Portability and Accountability Act (HIPAA) compliance should be revised to provide more flexible implementation schedules and exempt nontraditional services for elderly or disabled Medicaid beneficiaries. Congress and the administration must recognize that the timeframes are unrealistic for full state compliance since states are governed by information system procurement processes not found in the private sector.

The proposed medical child support recommendations would require state child support staff to compare health insurance coverage of parents and determine the superior coverage; if the child is found to have private health care coverage that is inferior to Medicaid or SCHIP benefits, then the state must provide the superior coverage. This proposal conflicts with rules governing SCHIP and imposes new mandates on child support staff; it ought to be reconsidered.

Finally, in the areas of child welfare, TANF, and child support, APHSA has concerns related to the federal, state, and tribal responsibilities in program administration and service delivery and jurisdictional issues that can only be decided with federal guidance. These issues must be addressed.

Conclusion

In many respects the nation is at a critical crossroads in charting the new directions in the delivery of critical public human service programs. In some areas, federal funding streams no longer support the program outcomes states and the federal government seek to achieve. State flexibility has been granted in certain key programs, while federal micromanagement has intensified in others. In charting future policy directions, APHSA urges federal policymakers to examine the potential cross-program implications. Funding streams should be flexible in order to achieve program outcomes, inspire state innovation, and leverage scarce program resources. Program eligibility rules should be aligned, wherever appropriate, so that families are not inadvertently removed from assistance; and the values underpinning the program should be aligned. In the end, the success of human service programs will be measured by the health and well-being of America's children, families, and adults and their reduced dependence on government assistance for generations to come.

SUMMARY OF PROPOSALS

Temporary Assistance for Needy Families

Maintain Current Federal Funding Level of the TANF Block Grant

To continue the success achieved during the initial years of welfare reform implementation, APHSA believes the funding of the Temporary Assistance for Needy Families (TANF) block grant should be preserved at its current level for fiscal year (FY) 2003 through FY 2008 and increased annually by the rate of inflation. Each state should receive at least its current TANF block grant allotment, including the highest supplemental grant.

The supplemental grants to states should be renewed and enhanced in order to address any inequities in state block grant allotments. Federal funding for these grants should be in addition to the amount currently provided to states.

Funding should continue to be an entitlement to states—mandatory funding—that is not subject to annual changes in appropriation level. States should be allowed to carry over funds from one fiscal year to the other without limitation. States should be allowed to draw down their funds as a block grant and not on a matching or prorated basis. In addition, once a state meets its maintenance-of-effort (MOE) level, it should be permitted to draw down prior year funds without expending additional state funds.

Finally, APHSA opposes any “set-asides” of funding.

Maintain the TANF Block Grant Structure and Preserve the Purposes of the Act

For the most part, APHSA remains satisfied with the current four purposes of the act, believing that they have provided both a range of goals and the broad flexibility needed to address them. APHSA believes the TANF block grant structure should be maintained and that the current state flexibility in administering the program must be preserved. Restrictions on program eligibility or use of TANF funds should be rejected. States also believe these purposes allow states to continue to address the needs of low-income families that have moved into the work force as well as to provide key supports to families and children in need of stability and safety. Under current law, states may use TANF funds for any purpose previously authorized under their IV-A or IV-F state plans and for any benefit or service that meets the “purposes of the Act,” and APHSA believes that they should be permitted to continue to do so.

States Would Maintain Effort

If the TANF block grant is funded at \$16.8 billion and increased annually by the rate of inflation over the next six years, then states would maintain their current level of MOE plus inflation. In addition, the definition of qualified state expenditure should be amended to include prior state expenditures on foster care and juvenile justice services. Child support payments that are passed through to families while on TANF should be counted toward the state MOE, even if these are not disregarded in determining TANF eligibility. Under the current law, states are required to meet either an 80 percent MOE or 75 percent MOE if they meet the work participation rates. Rather than apply the MOE “credit” in the current federal fiscal year, APHSA proposes allowing states to apply the MOE “credit” in the subsequent year. Finally, states should be allowed to expend MOE on services to families without respect to income.

Strengthen the Contingency Fund

Changes are needed to ensure the contingency fund is a viable and sufficient source of funds for state TANF programs during periods of economic downturn or recession. The current level of funding for the contingency fund is insufficient to provide support to a number of states that may need to draw from the fund at the same time. APHSA recommends an increase in the contingency fund level and a change in the eligibility requirements. Specifically, the MOE requirements should be the same as the TANF level, and APHSA proposes that the definitions of qualified state expenditures should be aligned with TANF. These technical changes are necessary to ensure that states may not be unreasonably excluded from eligibility to draw on the fund in times of severe need.

APHSA believes the unemployment and food stamp triggers should be modified as well. Due to changing TANF caseload characteristics and a growing disconnection between the TANF and Food Stamp Programs, these triggers may not be appropriate. Considering that the U.S. unemployment rate in early 2001 is hovering at or below 4 percent, a serious economic downturn would have to occur in order to states to qualify for contingency funds under existing rules. The food stamp trigger is also obsolete in that caseloads have dropped significantly since the enactment of welfare reform. APHSA recommends that contingency fund triggers be revised. The existing Rainy Day Loan Fund should be eliminated.

Restore Social Services Block Grant (SSBG) Funding and Transferability of TANF Funds

APHSA recommends restoring SSBG to the \$2.8 billion level in FY 2003 and beyond. Also, states should be permitted to transfer up to 10 percent of their TANF block grant to SSBG.

Maintain State Option to Transfer to the Child Care Development Fund

APHSA supports the continuation of the option for states to transfer up to 30 percent of their TANF funds to CCDF and supports the flexibility for states to fund child care services directly out of TANF.

Restructure Tribal TANF

Reauthorization of TANF presents an opportunity to resolve and to assign tribal TANF responsibilities in a way that all parties are held accountable. Currently states are held accountable for the consequences of needy Native American families if a tribe elects to operate its own TANF programs in a geographic area but defines its service population in a way that excludes some tribal families. States lack authority over tribal implementation of TANF; however, they are expected to provide services to those who are not included by a tribal TANF plan, in some instances, without the resources to serve them. The association recommends the creation of a separate TANF block grant for tribal governments funded with 100 percent federal funds and no state MOE requirement. The tribal TANF block grant allocation should be in addition to the \$16.8 billion allocated for the state block grants. The new block grant would allow state and tribal governments to continue to collaborate absent financial and service population concerns. The tribal governments would negotiate directly with the federal government on the design and performance measurement of their programs.

“Assistance” Definition Should Exclude Unobligated Funds, Child Care, and Transportation Expenditures

The association recommends that states be permitted to use unobligated TANF funds for any purpose allowable under the act and that the “assistance” restriction be removed. The current federal rules that apply the lifetime time limit to families receiving TANF-funded child care services should be changed.

Strengthen Out-of-Wedlock Reduction Bonus by Focusing on Teen Pregnancy Prevention

To reduce intergenerational dependency on government assistance, APHSA recommends strengthening the TANF Bonus to Reduce Out-of-Wedlock Births by adding a new performance measure aimed at reducing adolescent birth rates. Success in this area will have long-term benefits that will reduce future dependence on TANF.

Update Work Measures

If work rates remain as the chief measure of TANF success, then they should be restructured to address major shortfalls. Under APHSA's proposal, every TANF client should be engaged in a work preparation or employment activity. In addition to maintaining core work requirements, states should be afforded the flexibility to define work preparation in recognition of the changing characteristics of the populations served.

States with different definitions of work under welfare waiver demonstration programs should be allowed to continue to apply these definitions. Two-parent families and single-parent families should be subject to the same work participation rates.

Recognizing that each state is unique and at different phases of welfare reform, at state option, measures of job placement, job retention and earning progression could replace the current work participation rates. Under this proposal, every TANF client should be engaged in a work preparation or employment activity.

Food Stamps

Simplify Food Stamp Allotment Calculation

The Food Stamp Program's allotment calculation methodology must be greatly simplified. A system that is based simply on gross income, and that is adequate enough to provide benefits to meet family needs, is a far preferable alternative to the present system. The simplest approach to this solution is a benefit table structured around gross income that is sufficient for food assistance needs as well as other basic demands on household budgets such as shelter costs. APHSA will examine several alternative approaches to assess their effects on current food stamp households and overall program costs.

Based on preliminary data, APHSA believes it is feasible to develop a vastly streamlined allotment calculation methodology. For example, it appears possible to use total monthly gross income with an upper limit of 150 percent to 185 percent of poverty, adjusted by certain percentages that allow for an earned income disregard and essential expenses, to yield a benefit table providing the majority of program recipients with allotments equal to or higher than present levels. It also appears that this proposed methodology could extend eligibility to additional low-income working families—those with the greatest need for short-term support as they transition into the workforce—and assure that the flow of food stamp benefits will increase to all states.

While preliminary data point to higher overall program benefit costs for this methodology, making this investment in FSP would be amply repaid in greater program access, less confusion, and simpler administration.

Simplify Application Processing, Change Reporting, and Recertification

Food stamp statutory language should be modified to adopt the review concept that is currently used in TANF and Medicaid, under which a case is considered eligible until modified or terminated. This approach should be combined with a reasonable reporting requirement for all households, similar to that in the portion of the November 21, 2000 regulation dealing with six-month reporting. In addition to a rational income reporting requirement, the proposal could include reporting of such changes as a change in source (not amount) of income and in household membership. This proposal will result in a dramatic decrease in the amount of case processing time and reporting requirements.

States must be provided with the flexibility to design their application forms and procedures, particularly as necessary to align them with those of other programs, within the framework of assurances of timely processing, such as same-day application filing and expedited service procedures.

For recipients who are working, this proposal creates a substantial incentive to remain in the workforce and to accumulate assets. It also provides all food stamp households the same advantage of the transitional benefit that APhSA proposes (see below) for TANF households.

Provide Transitional Food Stamp Benefits

The Food Stamp Act should be amended to allow benefits to be continued for six months at the level authorized prior to cash assistance (TANF, General Assistance) closure when the following conditions exist:

- the cash assistance case closes due to excess income; and
- at least one member of the FSP household has countable earned income.

Neither a new application, an updated application, nor an interview would be required. If certification periods are not eliminated as proposed above, then the six-month period should be set without regard to the number of months the household has already been certified. If the household returns to cash assistance during this time period, transitional food stamp benefits would end and a new benefit level would be calculated. Use of the transitional benefit would not bind a state to any specific reporting method after the six-month period expires.

Exempt One Vehicle and Simplify Asset Tests

The asset policy should be changed as follows. (Other aspects of current law would remain in effect.)

- Raise the asset limit to \$5,000 for all types of households.
- Fully exempt one vehicle per working person; additional vehicles would be counted at their equity value. All households would have, at minimum, one fully exempted vehicle.
- Exempt as countable assets all retirement accounts and education savings accounts.
- Exclude the Earned Income Tax Credit as a resource for all households, with no time limit.
- Allow states to liberalize food stamp asset policy as appropriate to align with their TANF policy.

Simplify Household Composition Rules

Food stamp policy should be revised to allow the following:

- Children who are under 18 years of age and live with their parents must be considered part of the parents' household, regardless of whether they purchase and prepare meals together or separately.

- Allow any person age 18 or older that is unable to purchase and prepare meals separately due to a severe physical or mental disability to have separate household status.
- The Social Security Administration (SSA) should add a nutritional supplement for SSI recipients. SSA would administer the payment, although its costs would continue to be funded from FSP. SSI recipients would no longer be eligible for the separate FSP and therefore would not be considered household members.

Enhance Employment and Training Programs and Encourage Work

The federal government must provide sufficient employment and training (E&T) funding to serve all those subject to work requirements, and to lift the caps on reimbursement amounts.

In addition states must be able, at their discretion, to select the following new options that will simplify work program administration, enable coordination and alignment among the various work program funding streams, and provide appropriate welfare-to-work opportunities for program participants.

- Implement alignments and simplifications among their work programs, including TANF and those funded under the Workforce Investment Act (WIA). This option must include the flexibility to align food stamp and TANF work requirements, including making those subject to food stamp work requirements the same as those subject to the state's TANF work requirements.
- Eliminate the special status now held by able-bodied adults without dependents (ABAWDs) and mainstream this group and all others subject to food stamp work requirements into the state's existing standard workforce development program. This would include elimination of time limits for ABAWDs, since the state would be referring them to a work activity within the same time frame used in its TANF program.

Measures of the effectiveness of food stamp work activities must be outcome-based and consistent with those in other work programs. They should reflect such criteria as job placement, job retention, and earnings progression.

Restore Eligibility for Noncitizens

Federal food stamp eligibility for legal noncitizens should be restored by reinstating the noncitizen policies in effect prior to the enactment of the welfare reform law in August 1996. In addition, existing benefit calculations for noncitizens must be greatly simplified and aligned with program policy for other households.

Enhance Benefits and Program Access for Senior and Disabled Individuals

The following changes and options will greatly improve participation by elderly individuals in the program:

- Increase the minimum allotment to at least \$25 for one- and two-person households, with automatic adjustments for inflation;
- Adopt the recommendation in the "Household Composition" section above to include a nutrition supplement as part of the Supplemental Security Income (SSI) payment.
- Examine the feasibility of optional cashed-out benefits for households with senior and disabled individuals who are not SSI recipients.

Simplify Benefits for Persons in Group-Living Arrangements

APHSA proposes the following alternative for shelters and treatment centers. States should be allowed, at their option, to make payments for food stamp recipients through a billing system whereby the facility would bill the state at the end of the month for the number of days the resident was in the facility. The per diem would be based on the average allotment issued to all food stamp recipients just prior to the implementation of the option. The per diem would be adjusted each year based on the percentage increase in the Thrifty Food Plan. A person who leaves the home or center would report the change of residence and receive a prorated allotment for the remaining number of days, if eligible.

Amend Electronic Benefit Transfer Program Administration

Two proposals should be considered.

- The 50–50 administrative match must be increased to ensure that EBT costs do not continue to shift from the U.S. Department of Agriculture (USDA) to the states. In particular, USDA should share their savings with states by paying 100 percent of costs of functions that were federal responsibilities under the paper system, such as the food stamp redemption aspects of retailer management. In addition, EBT law must be changed to eliminate any reference to a “cap” on federal dollars (i.e., cost neutrality) and to assure full federal coverage of costs associated with benefit portability (i.e., interoperability).
- Certain EBT functions that belonged to USDA under the paper system should be taken back by the department (provided, however, that USDA does not impose new federal standards on states). One possibility, presented in an “Alternatives Analysis” commissioned recently by USDA, would be for the department to take back sole responsibility for retailer management by supplying the equipment needed to redeem the electronic food stamps. The department has a national network of offices already involved in retailer management that could support this function. It also might improve the competitive landscape by allowing new vendors to bid on a substantive piece of EBT business while streamlining the overall requirements for EBT prime vendors.

Enhance Program Flexibility

The USDA secretary’s waiver authority must be expanded to require approval of state requests on the simple basis that they demonstrably simplify program administration, improve efficiency, and/or enhance access to benefits. The extensive waiver limitations and exclusions in present law must be removed. In addition, policies that counteract the benefits of welfare reform, such as counting diversion payments as income, should be repealed.

In addition, the pre-welfare reform policy must be restored that allowed administrative waivers without evaluation requirements.

Create a New Outcome-Based Measurement System

The current quality control (QC) system should be dramatically revised and a new incentive system of outcome measures for working families and other program recipients should be considered. While program integrity remains important, the new system should consider measures of recipient advancement and provide incentive payments to those states with the best performance records. The outcomes could include increased family income and other indicators of greater self-sufficiency. States could earn additional incentive payments through high performance in other areas of program measurement, such as the percentage of former TANF recipients “attached” to food stamps.

Other important requirements for the new incentive system would include:

- all measurement systems and procedures must strictly follow program policy;
- sampling methodology must be reasonable and simple;
- any data collection requirements must be reasonable, simple, and within states' current collection capabilities; and
- differences among states (such as waivers currently in effect) must be fairly accounted for.

Re-establish Equitable Federal Participation in Program Administration

The historic 50 percent match rate for normal administrative expenditures must be restored. In addition, states should be provided enhanced match for implementing and publicizing changes in the program.

Child Care

Maintain and Restore Funding; Preserve Flexibility

Continue funding the current Child Care and Development Fund (CCDF) at no less than \$2 billion in discretionary funds and \$2.7 billion in entitlement funding. In addition, add \$200 million annually to the matching fund portion of CCDF. The law should continue to maintain the state's option to draw down these funds by a matching fund formula. Funds that are not fully matched by some states should continue to be available to other states that have drawn down all their current funds.

Restore SSBG in full to \$2.8 billion; maintain the TANF block grant at no less than current funding of \$16.8 billion; preserve state authority to transfer up to 30 percent of the TANF block grant into CCDF, and preserve the ability to spend TANF funds directly on child care.

Maintain current program flexibility. Specifically, states should be allowed to obligate funds and liquidate them over time. This structure is an important part of CCDF flexibility and permits states an opportunity to design child care plans that balance the expansion of services and new quality of care initiatives. At the same time, APHSA recommends that the deadlines for expending the discretionary, matching, and mandatory child care funds be reviewed to determine if they can be improved upon.

Examine Links to Other Programs

Eliminate the link between the Child and Adult Care Food Program and SSBG. Instead, the link should be made to SSBG, CCDF, or TANF-funded child care. This will have the impact of making some child care providers eligible for nutrition assistance under the Child and Adult Care Food Program, while not requiring them to meet an arbitrary spending requirement.

Continue and encourage Head Start awards that favor full-day, full-year services and services that blend funds. Any efforts to coordinate CCDF-funded child care and other federal programs must maintain and respect parental choice in the design of these coordinated projects.

Evaluate future expansion of funds for afterschool and out-of-school time programs to determine their role in child care.

Engage in Efforts to Improve Quality

The federal government should support research that contributes to the understanding of measurable quality indicators that can be addressed at state and local levels.

Promote policies that encourage public and private sectors in building and sustaining an early care and education workforce that is well trained, well-respected, adequately compensated.

Child Support

Families and children should directly benefit from the payment of child support. Payments should support the economic self-sufficiency of families and connect the responsibility of both parents to their children.

APHSA believes that this necessitates a shift in focus from a system of cost recovery to a system of economic support for children. To accomplish this, the following elements must be addressed:

- financing structures and mechanisms
- adequate implementation timelines for states
- adequate funding for necessary technology support
- state options for how child support payments should affect other state-administered programs
- full and sustained federal participation

Remove the cap on the child support incentive fund.

Oppose Private-Sector Access to State Information and Enforcement Tools

Any newly created programs for fatherhood should be coordinated with related state and federal programs such as child support, the TANF block grant, the Workforce Investment Act, and child welfare.

Separate funding streams in the form of competitive grant programs that are not coordinated with existing programs ought to be rejected.

Medical support recommendations should be reconsidered.

Efforts to increase medical support should consider the fact that Congress, in recent years, has placed substantial requirements on child support agencies, including further developing computer systems, establishing a centralized disbursement unit for payments, establishing case registries, developing directories of newly hired individuals, and coordinating with financial institutions to seek child support payments.

States support working with federal partners to ensure that children receive health coverage.

Recommendations to improve medical support enforcement should be developed through a broader input process from states.

Provide Federal Guidance for Tribal Child Support Programs

Child Welfare

Maintain Title IV-E Open-Ended Entitlement While Allowing Flexibility for Reinvesting Foster Care Funding into Services; Extend the Federal Government's Commitment for Foster Care and Adoption to All Children in Out-of-Home Care, Not Just Those from AFDC-Eligible Families

Restructure federal child welfare financing to provide states with additional federal investments in services and the ability to redirect existing resources to achieve quality outcomes, and to recognize that

states are statutorily required to provide services to all children regardless of current federal financial eligibility standards.

Amend Title IV-E to give states the option to redirect federal revenue for Title IV-E maintenance payments into their Title IV-B programs, thereby providing states with the flexibility to reinvest federal revenue into other child welfare services whenever foster care is reduced (i.e., transferability), while maintaining accountability for outcomes.

Eliminate income eligibility (eligible for Aid to Families with Dependent Children (AFDC) as of July 16, 1996) as a criterion to determine who, among the children placed in foster care or subsidized adoption, is eligible for federally reimbursed foster care and adoption assistance under Title IV-E (i.e., “delinking”). Consequently, all such children would be eligible for Title IV-E, and in turn, Medicaid. To be cost-neutral, the federal match rates would have to be reduced if the federal government were to provide reimbursement to states for all children in foster care regardless of income. An alternate option would be to adjust the match rates in a way that is not entirely cost-neutral or to reduce the match rate in foster care but not adoption to attract incentives for adoption.

Maintain the open-ended entitlement under Title IV-E, the protections for children embodied in federal law, and accountability measures under the Child and Family Services Reviews.

Increase Funding for Child Welfare Services; Reauthorize the Promoting Safe and Stable Families Program; and Fund Additional Investments in Other Services Consistent with Meeting the Goals of ASFA

Reauthorize Promoting Safe and Stable Families, with an increase in the funding level. Amend the definition of “significant portion” so that at least 50 percent of the funding is flexible, allowing states to make decisions on allocation of the funding amongst the four service areas based on children and family needs.

Allow Title IV-E to be used for services other than foster care maintenance payments, such as front end, reunification, or post-permanency services (i.e., after care), for children who come to the attention of the child welfare system.

Provide one-time funding for states to address the backlog of children in care who have a permanency plan and are awaiting the next step.

Provide sufficient funds for adoption incentive payments commensurate with what states have earned due to their excellent performance in increasing the number of adoptions of children from foster care. Provide funding for post-adoption services.

Reauthorize CAPTA and Provide Core Funding for Child Safety, Child Protective Services (CPS) Infrastructure, and Prevention

Address the overall child welfare system. The reauthorization of the Child Abuse Prevention and Treatment Act (CAPTA) provides an opportunity to look at the entire child welfare system. Current federal laws have contributed to the creation of a fragmented child welfare program. There needs to be a broad view of Titles IV-B and IV-E and general child welfare funding, and the CAPTA statute must be updated to reflect current situations, particularly the lack of dedicated funding for treatment and prevention. CAPTA does not provide the money states need to respond to time limits and outcomes required by Adoption and Safe Families Act (ASFA) and Title IV-E can not be used to support these urgent service needs.

Increase resources and restructure financing. There must be a federal commitment to put resources into child abuse and neglect prevention and treatment, and in services such as child protective service workers, home visitors, services, and training. CAPTA should be the core source of funding for the child protective services function, yet it is not. There needs to be a link between Title IV-B, Title IV-E, CAPTA, and other funding sources so there is an integrated system rather than separate service components.

Review the definition of child abuse and neglect. The CAPTA definition of child abuse and neglect needs to be reviewed and possibly revised. The definition was changed in the last reauthorization to narrow the scope of maltreatment to serious instances where there is imminent risk of harm. This definition does not comport with the recommended definition in the National Association of Public Child Welfare Administrators' (NAPCWA) CPS Guidelines. It is important that the definition used in the CAPTA reauthorization language does not exclude particular groups of children from being reported for child maltreatment.

Address the issue of confidentiality. Any new CAPTA statute should clarify that other state programs and individuals must share information with child welfare agencies in order for child protective service workers to make intelligent, reasoned decisions for the families they serve. Additionally, CAPTA should allow states the flexibility to hold open court hearings in abuse and neglect cases, as many states have been doing for years.

Increase the training and research budget. CAPTA should provide money to states to determine their own research agendas and to train child protective service workers providing treatment and assessment services. It should also provide funding for implementing a national research agenda.

Fund a comprehensive array of prevention services that supports child and family well-being and prevents children and families from entering the child welfare and public assistance systems. As well, there needs to be funding, coupled with a strong community response, to support those families that come to the attention of the child welfare system where there is not enough evidence to substantiate abuse and enter the system, but where the family is clearly struggling and needs intervention. There needs to be a community response to address their needs.

Ensure Flexibility and Support for Permanency Options for Children Placed with Kin

Amend Title IV-E to authorize federal participation in a state option to fund private guardianship or other legal permanency arrangements for children who otherwise would have remained in long-term foster care.

Juvenile Courts Must Be Given Enhanced Capacity to Fulfill Their Partnership with States in Achieving Permanence for Children

Provide dedicated federal funding for court activities and capacity to promote the safety and permanency goals of ASFA, such as reducing the backlog of children in care (i.e., those children who entered foster care prior to ASFA whose permanency goal has not been acted on).

Allow IV-E training funds to be used to train judges and court personnel.

Workforce Preparation, Recruitment, and Retention is Key for Meeting Best Outcomes

Amend the Title IV-E Training statute and/or regulations to support state efforts to build and sustain a competent, skilled, and professional child welfare workforce by providing a solid and restructured

federal funding stream that would support comprehensive training that includes all aspects of child welfare—child protective services and service provision, private agency providers, court personnel (including judges, court-appointed special advocates, etc.) and health providers—and is not allocated based on whether a child is Title IV-E eligible.

Preserve and Enhance TANF and Titles XX and XIX as Critical Funding Streams for Child Welfare Services

Ensure that TANF, Medicaid, and Title XX (SSBG) remain fully viable funding sources for child welfare and maintain and increase the flexibility to allow this funding to be used for child welfare services.

Expand Waivers and Increase Their Flexibility

Make substantial modifications to the Title IV-E waiver process to allow more flexibility, a broader scope, and to foster system change, including:

- Eliminate the limited number of waivers HHS can approve;
- Eliminate approval criteria that require random assignment and control groups that limit statewide approaches;
- Eliminate the limited number of states that may conduct waivers on the same topic, such as guardianship;
- Eliminate the limited number of waivers that may be conducted by a single state;
- Enable states with the option to continue their waivers beyond five years;
- HHS should approve alternative baselines, such as the use of historical baselines based on foster care use, to calculate cost-neutrality.

Federal Child Welfare Regulations Concerning Licensing Should Be Amended to Ensure that Permanency and Family Continuity for Children Placed with Relatives is Not Abridged

HHS should withdraw the policy changes that require relatives to be licensed to the same standard as nonrelatives, and that prohibit provisional licensing. If an evaluation completed prior to or at the time of placement indicates no risk to the child's safety or other reason why the child should not be placed in the home, the state should have the option of either claiming Title IV-E for children in provisional or approved homes (1) beginning on the date of placement, or (2) retroactively to the date of placement once all eligibility criteria have been met. Until policy changes have been made, states should be held harmless for any financial disallowances associated with these provisions.

Amend the Title IV-E regulations concerning the definition of foster family home to provide states with the flexibility to establish certification standards and payment rates for kinship homes, which are separate and distinct from the licensing standards and payment rates for foster family homes. States should retain the flexibility to decide which children with relatives receive TANF and which children receive IV-E.

States Support an Outcomes-Based Approach to Ensuring Accountability in Full Partnership with the Federal Government

HHS should ensure that the federal child and family service review process is continually assessed to gauge its effectiveness in measuring state performance and compliance, and should seek ongoing dialogue with the states about the process and results. States should be held harmless for penalties associated with the first round of reviews, should flaws in the process be uncovered.

In devising any new data reporting requirements, Congress and HHS must bring states to the table to jointly make decisions about any new data collection, and dedicated funding must be provided consistent with any new requests for data.

Congress should repeal all provision-specific penalties (i.e., MEPA and geographic barriers) and use the review system to judge state performance and compliance. Congress should not overlay new penalties upon the current review system, and should maintain state flexibility with regard to state-specific case review processes rather than mandate new prescriptive citizen foster care review processes.

A National Research Agenda Must Be Developed and Pursued

The federal government should fully consider NAPCWA's research agenda and develop a strategy, in partnership with the states, to support national research on "what works" and programs and practices that achieve improved outcomes.

Address Substance Abuse in Families Served by Child Welfare

Provide new federal resources to address substance abuse within families in the child welfare system. Provide federal funding through a new child welfare–Alcohol and Other Drug Abuse (AOD) partnership grant program to be administered jointly by state child welfare and AOD agencies. The focus of the grant would be on families with alcohol and drug programs who come to the attention of the child welfare system. The funding would encourage joint activities that are designed to increase the capacity of both the child welfare and alcohol and drug systems to address comprehensively the needs of these families to improve child safety, family stability, and permanence and to promote recovery from alcohol and drug programs. These funds might be used to implement a range of comprehensive individualized alcohol and drug prevention and treatment services; improve screening and assessment procedures; develop effective engagement and retention strategies; develop gender-specific treatment models that work for children and families; provide cross-system training for alcohol and drug and child welfare workers; and eliminate barriers to treatment and to child safety and permanence. A dedicated funding stream for the treatment needs of the child welfare population is necessary to foster the collaboration to make system change and to provide the capacity to serve these families to ensure the outcomes of safety, permanence, and well-being.

Amend the federal substance abuse confidentiality statute and regulations to enable child welfare agencies and the courts to obtain the information from AOD providers necessary to make permanency and safety decisions for children who are in the child welfare system. Confidentiality rules need to require sharing and redisclosure of information between the two systems, specifically to assess progress in treatment, assure safety, and make informed decisions regarding permanence.

Remove barriers to Medicaid funding to ensure that a previously eligible Medicaid family retains eligibility while their child is in foster care so that caretakers can access services that help them overcome the problems that led to the child being removed from the home.

Mental Health Services Are Critical to Ensure Family Safety and Stability and to Meet the Needs of Vulnerable Children

Increase funding for children's mental health services so children with serious mental health needs can have access to services without having to enter the child welfare system and break up families, and children who are appropriately in foster care also can get the mental health services they need.

Access to Special Education Services Are Critical to Meet the Needs of Vulnerable Children

The federal government must fully fund its special education entitlements and should enforce special education mandates for children in foster care.

Tribes Need Enhanced Capacity and Direct Access to Title IV-E to Address the Needs of Native American Children

Amend Title IV-E to enable tribes to have direct access to Title IV-E funding.

Health and Medicaid**Enhance Medicaid and Medicare Collaboration**

The Medicaid and Medicare programs must have a closer working relationship to address policy and operational issues that impede effective coordination of these two major programs. A state-federal Medicaid/Medicare Technical Advisory Group might be the appropriate vehicle to foster this collaboration.

Coordinate Medicare and Medicaid-Funded Services

The federal government should support state waiver proposals to integrate care for persons eligible for both Medicaid and Medicare.

In computing the budget neutrality of such state waiver proposals, the federal government should recognize the potential cost savings not only for Medicaid but also for Medicare, SSI, and Social Security Disability Insurance (SSDI).

Support State Efforts to Comply with the Americans with Disabilities Act

The federal government should support state efforts to develop appropriate alternatives to institutional care on implementation timetables that allow for sound management, affordability, and quality.

The federal government should permit states to convert waivers to state plan status.

The federal housing program should partner with Medicaid and other federally assisted programs to respond to the desire of the elderly and individuals with disabilities who wish to live in their community rather than in an institution.

The federal government should partner with states and communities to address work force shortages in the long-term care field.

Examine Prescription Drug Issues

The Medicaid prescription drug provisions contained in the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) should be revised to give states more flexibility. The rebate formula with regard to generic drugs should be altered to be consistent with the provisions applicable to brand-name drugs.

States should be given the flexibility to set copayments for prescription drugs in a manner that will encourage consumer price awareness.

Facilitate Eligibility Coordination Across Programs and Promote Continuity of Care

Title XIX eligibility categories should be reviewed with the goal of collapsing the multiple mandatory categories into a few readily understood groupings.

The federal government should support enhanced funding for the design of streamlined Medicaid eligibility systems and operation of such systems.

The Medicaid and State Children's Health Insurance Program (SCHIP) statutes should be amended to permit blending of public and private insurance coverage and continuity of care as children move between programs.

State proposals to subsidize employer based health insurance for low-wage workers should be thoughtfully considered.

Programs to facilitate exchange and retrieval of medical information, without jeopardizing physician/patient confidentiality, should be encouraged.

Federal Policy Should Recognize States' Power as Public Purchasers

Federal regulatory policies should recognize the realities of the marketplace in which Medicaid and SCHIP operate.

The federal government should avoid micromanagement that interferes with effective program operation.

Title XIX should be amended to allow states the flexibility to offer targeted benefits and appropriate cost sharing to uninsured or underinsured adults.

The federal government should join states and communities in their efforts to reduce health disparities among population groups.

Review HIPAA Administrative Simplification Requirements

The U.S. Department of Health and Human Services' policies and timetables dictating Health Insurance Portability and Accountability Act (HIPAA) compliance should recognize that states purchase nontraditional services to support elderly or disabled Medicaid beneficiaries. Exempting such services from HIPAA compliance or giving states and providers more flexible timetables should be considered.

Congress should revisit the HIPAA statute to determine whether the original assumptions about the cost effectiveness are still valid, especially taking into account its impact on the Medicaid and Medicare programs.

Expand SCHIP Coverage to Include More Low-Income Children

The 10 percent cap on administrative expenditures in SCHIP should be adjusted to allow for more effective outreach as well as targeted health initiatives for all low-income children.

Eligibility definitions should be examined to consider coverage of children of low-income public employees.

Temporary Assistance for Needy Families

Current Program

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193 (PRWORA), also known as welfare reform legislation, marked the end of the federal entitlement to cash and child care assistance and ushered in a new era of work and personal and parental responsibility. The law repealed the former Aid to Families with Dependent Children (AFDC) entitlement and replaced it with the Temporary Assistance for Needy Families (TANF) block grant to states to provide time-limited assistance, to employ strict work requirements, and to address a range of family formation goals. Under the law, states were guaranteed a fixed grant amount of funding from the federal government for six years, and in return were required to maintain state spending or face penalties. States were afforded flexibility to design TANF programs that met their individual goals and respected the diversity of each state and its citizenry.

It is critical to note that prior to the enactment of welfare reform in 1996, AFDC caseloads were soaring and families were trapped in a pattern of dependency that few believed could be reversed. Despite poor family outcomes, for decades rigid federal program rules prevented state administrators from implementing innovative approaches to help families in need. In an attempt to break free from federal program restrictions, by the mid-1990s, 48 states were operating their AFDC programs under federal waiver demonstrations. Work was the hallmark of early state welfare reform experiments, and by 1996 it became clear that states were in a better position than the federal government to achieve success in this area.

Under AFDC, states could give families little more than a check to help them provide for their children. Families faced a financial cliff if they moved from welfare to work due to federal eligibility rules that restricted the amount of assets and income a family could accumulate and still receive benefits. In effect, the federal rules discouraged work.

In four short years, states have achieved unprecedented success implementing welfare reform, providing compelling evidence that the devolution of authority to states was indisputably the correct course of action. Moreover, early predictions that the welfare reform law would result in increases in child welfare cases, homelessness, and hunger have not been substantiated. The Administration for Children

In an attempt to break free from federal program restrictions, by the mid-1990s, 48 states were operating their AFDC programs under federal waiver demonstrations. Work was the hallmark of early state welfare reform experiments, and by 1996 it became clear that states were in a better position than the federal government to achieve success in this area.

In short, more success has been accomplished by states in the past few years under TANF than in any three-year period of robust economic expansion under the former AFDC program.

and Families documented these achievements in its *TANF Third Annual Report to Congress*, issued in August 2000. The percentage of working welfare clients reached an all-time high in 1999 and their average monthly earnings and hours of work continued to rise. The percentage of Americans living in poverty continued to decline and child poverty recorded its biggest five-year drop in 30 years. The percentage of the population on welfare fell to its lowest point since 1965, child support collections increased dramatically, and states continued to provide critical TANF-funded supports to millions of families who exited welfare for the workplace. Teenage pregnancy rates have steadily declined during this period and some states have begun to achieve progress in an effort to reduce the number of out-of-wedlock births. In short, more success has been accomplished by states in the past few years under TANF than in any three-year period of robust economic expansion under the former AFDC program.

Under the TANF block grant, however, the flexibility afforded to states enabled them to design programs and services to support families not only with cash, but with a host of other services as well. TANF cash assistance caseloads have declined by more than 50 percent; however, the number of families receiving supportive work services continues to expand. In many states, families with incomes well above the poverty level are eligible to receive a range of services, such as employment and training, child care, transportation, education, and family and parental training. The majority of states also offer diversion programs that provide short-term assistance to families in need. States have also expanded their earnings “disregard” policies, which means that families can keep more TANF benefits even if they have more earned income, removing one of the many disincentives to work in the former AFDC program. More than 40 states have policies allowing families to keep more earned income while on assistance in order to support their transition to a life of self-sufficiency. A number of states have created Individual Development Accounts (IDAs) that allow families to set aside funds for an education or the purchase of a first home.

Welfare to work is now the pathway to independence, and through unique state program designs more low-skilled women with children are working today than at any time in our nation’s history. And remarkably, last year the number of single mothers at work exceeded the number of married mothers with employment.

Challenges

The federal authorization to fund the TANF block grant ends in 2002 and the debate on the next chapter in welfare reform begins anew. The continued successes of welfare reform in the states are contingent upon three key factors: (1) maintaining the flexibility of the TANF block grant; (2) maintaining a consistent level of federal and state support for the block grant over the next six-year period and; (3) simplifying and aligning related programs.

Congress and the administration must acknowledge that while much success has been achieved, many challenges remain. Cash assistance caseloads have declined, but the number of families served with TANF funds and the need for transitional work supports have not. In order for early success in the workplace for TANF families to evolve into extended periods of job retention and earnings progression, continued investments are needed. In future years, a sustained commitment of on-going TANF work

supports, such as transportation and education and training, may be required. And for those families who have not made the transition from welfare to work—those with multiple barriers to overcome—intensive services and supports will be costly. The TANF caseload is dynamic and diverse; state flexibility is essential to allow program designs to respond to changing needs and to craft innovative approaches.

While work is the centerpiece of welfare reform, it is important to note that the TANF program responsibilities have expanded far beyond cash assistance and work. Throughout the states, programs serve families—to provide support to fragile families struggling to support their children; to promote family well-being; to provide child care services and early childhood development; to improve parenting skills and to support and preserve families; to extend employment and training opportunities to noncustodial parents; to support two-parent families; to prevent teen pregnancy; to prevent the incidence of out-of-wedlock births; and to prevent intergenerational dependence on government assistance. These support services and investments in prevention and early intervention are critical to ensuring the continued success of welfare reform.

In addition, the implementation of the welfare reform law has brought to light policy conflicts with the federal entitlement programs—Medicaid, food stamps, and child support enforcement. The work-centered, time-limited message of the TANF program is in conflict with the “entitlement” message delivered to clients in other programs. The trend in declining Medicaid caseloads, registered during the initial TANF implementation period, has been reversed in recent years. Meanwhile, the complex interaction between TANF and food stamp rules continues to challenge both clients and administrators. Given the complexities of financing child support enforcement, paradoxically, the more success states achieve in moving families from welfare to work, the fewer resources are available to states to operate child support programs. Proposals to reform these aforementioned entitlement programs are detailed in the relevant chapters of this report.

The continued successes of welfare reform in the states are contingent upon three key factors:

- (1) maintaining the flexibility of the TANF block grant;**
- (2) maintaining a consistent level of federal and state support for the block grant over the next six-year period and;**
- (3) simplifying and aligning related programs.**

Recommendations

PROPOSAL

Maintain Current Federal Funding Level of the TANF Block Grant

APHSA opposes any effort by Congress or the administration to reduce the funding for the TANF block grant. To continue the success achieved during the initial years of welfare reform implementation, APHSA believes the funding of the TANF block grant should be preserved at its current level for fiscal year (FY) 2003 through FY 2008 and increased annually by the rate of inflation. Each state should receive at least its current TANF block grant allotment, including the highest supplemental grant.

The supplemental grants to states should be renewed and enhanced in order to address any inequities in state block grant allotments. Federal funding for these grants should be in addition to the amount currently provided to states.

Funding should continue to be an entitlement to states—mandatory funding—that is not subject to annual changes in appropriation level. States should be allowed to carry over funds from one fiscal year to the other without limitation. States should be allowed to draw down their funds as a block grant and not on a matching or prorated basis. In addition, once a state meets its maintenance-of-effort (MOE) level, it should be permitted to draw down prior year funds without expending additional state funds.

Finally, APHSA opposes any “set-asides” of funding.

EXPLANATION

States continue to serve families long after their exit from TANF cash assistance. And it is important to recognize as well that the families who remain on cash assistance have multiple barriers to employ-

States should be allowed to draw down their funds as a block grant and not on a matching or prorated basis.

ment, such as mental health and substance abuse addiction. In future years, it may be more costly to serve these families with the intensive services they need to move off welfare and toward self-sufficiency and work.

In the past few years, concerns have been expressed about the perceived slow rate at which states were expending federal TANF funds.

Observers may have failed to appreciate the profound changes states made to move from a system of check-writing under AFDC to a program where work is a primary focus. Time was needed to adopt state legislative changes, redesign programs, train caseworkers, inform clients, and implement new program rules. Initial federal pronouncements deterred states from expending funds at the outset, and the two-year delay in the promulgation of final federal regulations stalled state implementation efforts.

Since the program’s enactment, APHSA believes states have expended TANF funds thoughtfully and prudently in a well-reasoned, well-planned, highly successful way. After the initial period of transition from the AFDC program to the TANF block grant, state expenditures increased significantly. Indeed, according to the projections of the Congressional Budget Office, state expenditures under TANF will exceed the program baseline in FY 2003 and beyond. Even though TANF caseloads have fallen by 50 percent, it is clear that the need for TANF-supported services has not declined. Federal data reporting of the TANF caseload reflects only the number of families receiving TANF cash assistance in a given state; it does not include families that receive TANF-funded child care, employment and training, counseling, and other supportive services.

Some federal interpretations of the law have presented obstacles to states’ implementation, such as the application of the Cash Management Improvement Act (CMIA) that restricts state flexibility and makes the TANF block grant look more like a matching fund program instead of a block grant. Even though states have met their MOE requirement, the federal share of their funds remains in the federal treasury giving the false impression that these unobligated funds are unnecessary or “surplus” funds.

PROPOSAL

Maintain the TANF Block Grant Structure and Preserve the Purposes of the Act

For the most part, APHSA remains satisfied with the current four purposes of the act, believing that they have provided both a range of goals and the broad flexibility needed to address them. APHSA

believes the TANF block grant structure should be maintained and that the current state flexibility in administering the program must be preserved. Restrictions on program eligibility or use of TANF funds should be rejected. These purposes allow states to continue to address the needs of low-income families that have moved into the work force and also to provide key supports to families and children in need of stability and safety. Under current law, states may use TANF funds for any purpose previously authorized under their IV-A or IV-F state plans and for any benefit or service that meets the “purposes of the Act,” and APHSA believes that they should be permitted to continue to do so.

APHSA believes the TANF block grant structure should be maintained and that the current state flexibility in administering the program must be preserved. Restrictions on program eligibility or use of TANF funds should be rejected.

EXPLANATION

The block grant structure of TANF has given states great flexibility in program design. While there was initial concern that the end of the entitlement nature of funding might place a financial strain on states, over the past several years TANF administrators have prudently administered the funds and have been able to tailor programs to meet the unique needs and characteristics of their state populations.

The statute provides that a state may use the TANF grant “in any manner that is reasonably calculated to accomplish the purpose of this part...” The four purposes of the TANF program are:

1. to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. to end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. to prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. to encourage the formation and maintenance of two-parent families.

The purposes of TANF have special significance to state administrators in that they guide states’ design of benefits and services that can be funded under the act.

PROPOSAL

States Would Maintain Effort

If the TANF block grant is funded at \$16.8 billion and increased annually by the rate of inflation over the next six years, then states would maintain their current level of MOE plus inflation. In addition, the definition of qualified state expenditure should be amended to include prior state expenditures on foster care and juvenile justice services. Child support payments that are passed through to families while on TANF should be counted toward the state MOE, even if these are not disregarded in determining TANF eligibility. Under the current law, states are required to meet either an 80 percent MOE or 75 percent if they meet the work participation rates. Rather than apply the MOE “credit” in the current federal fiscal year, APHSA proposes allowing states to apply the MOE “credit” in the subsequent year. Finally, states should be allowed to expend MOE on services to families without respect to income.

EXPLANATION

To receive federal block grant funds, states are required to maintain funding for qualified program expenditures at a level equivalent to at least 80 percent of the state share of AFDC expenditures in federal FY 1994—when welfare caseloads were at their highest levels in recent history. If the state meets the work participation rate requirement, the MOE requirement drops to 75 percent. In the first four years of operation, all states made their MOE requirement.

To receive federal block grant funds, states are required to maintain funding for qualified program expenditures at a level equivalent to at least 80 percent of the state share of AFDC expenditures in federal FY 1994—when welfare caseloads were at their highest levels in recent history.

States face a strict double penalty for failure to meet the MOE requirement. Not only are states penalized for falling short of the requirement, but they must also expend an equivalent amount of state funds to make up for their shortfall.

As TANF caseloads declined dramatically, some states may have been slow to obligate all of their federal block grant funds but all states have expended their state MOE funds first to avoid federal penalties. In large measure, state funds financed the early successful years of welfare reform while federal TANF funds remained in the federal treasury accumulating interest.

Due to drafting errors in the original TANF statute and subsequent federal regulation, the flexibility of the law has been reduced and administrative complexity has increased. For example, states are permitted to expend federal funds on services and benefits previously approved under the former AFDC program, yet state expenditures on these same services are not considered “qualified expenditures” for the purposes of MOE. No state expenditures on foster care or juvenile justice services are countable toward MOE. Similarly, federal funds may be used to pay for child support payments passthrough to families on assistance. The state share of these payments, however, is not counted toward MOE. Under federal regulation, MOE funds must be spent on TANF-eligible families, but TANF funds can be spent on some services to families without respect to income.

Over the past few years, a number of states have created TANF rainy day funds to protect against periods of economic downturn. States have funded this contingency with state revenues, however, according to federal regulatory interpretation, these state funds are not counted toward MOE until they are expended. APHSA believes this interpretation is a disincentive to states that want to protect their ability to provide assistance to their TANF clients in periods of recession.

PROPOSAL

Strengthen the Contingency Fund

Changes are needed to ensure the contingency fund is a viable and sufficient source of funds for state TANF programs during periods of economic downturn or recession. The current level of funding for the fund is insufficient to provide support to a number of states that may need to draw from the fund at the same time. APHSA recommends an increase in the contingency fund level and a change in the eligibility requirements. Specifically, the MOE requirements should be the same as the TANF level and APHSA proposes that the definitions of qualified state expenditures should be aligned with TANE. These technical changes are necessary to ensure that states may not be unreasonably excluded from eligibility to draw on the fund in times of severe need.

APHSA believes the unemployment and food stamp triggers should be modified as well. Due to changing TANF caseload characteristics and a growing disconnection between the TANF and Food Stamp Programs, these triggers may not be appropriate. Considering that the U.S. unemployment rate is at or below 4 percent, states would need to experience a serious economic downturn to qualify for funds under existing rules. The food stamp trigger is also obsolete in that caseloads have dropped significantly since the enactment of welfare reform. APHSA recommends that contingency fund triggers be revised. The existing Rainy Day Loan Fund should be eliminated.

APHSA recommends restoring SSBG to the \$2.8 billion level in FY 2003 and beyond. Also, states should be permitted to transfer up to 10 percent of their TANF block grant to SSBG.

EXPLANATION

The success of welfare reform in the states and the robust national economy has contributed to a decline in TANF caseloads and obviated the need for the majority of states to access the fund in any given year. However, aware of the cycles of the economy, a downturn is possible in future years. In that regard, as the law is reauthorized, the design of the contingency fund is an area of concern for states. Under current law, states must meet a 100 percent MOE to be eligible for the contingency fund, not the 80 percent needed to qualify for TANF funds, and the definition of qualified expenditures in the contingency fund differs from the TANF MOE requirement as well. To qualify for contingency funds, states must also meet one of two “needy state” standards. The statute currently requires that a state’s unemployment rate reach at least 6.5 percent and that a state’s unemployment rate exceed 110 percent of the level of the corresponding three-month period in either of the two preceding calendar years. States can also qualify by meeting a food stamp trigger, which requires that state food stamp caseloads increase by 10 percent in the most recent three-month period over the average for FY 1994 or FY 1995.

PROPOSAL

Restore Social Services Block Grant (SSBG) Funding and Transferability of TANF Funds

APHSA recommends restoring SSBG to the \$2.8 billion level in FY 2003 and beyond. Also, states should be permitted to transfer up to 10 percent of their TANF block grant to SSBG.

EXPLANATION

In the welfare reform law of 1996, SSBG was funded at a level of \$2.38 billion for FYs 1997 through 2002 and would increase to \$2.8 billion in FY 2003 and beyond. In addition, the welfare reform law permitted states to transfer up to 10 percent of their TANF block grant to SSBG for services to families with incomes up to 200 percent of poverty. Over the past four years, however, Congress has reduced federal support for this important block grant that funds services for the elderly, disabled, and low-income children and families. In 1997, to fund highway improvements in the transportation act reauthorization, SSBG funding was reduced to \$1.7 billion and beginning in FY 2001, TANF transfer authority was reduced to 4.25 percent. (The transfer authority was restored to 10 percent at the end of the 106th Congress but will fall to 4.25 percent in FY 2002.)

The Social Services Block Grant funds programs for domestic violence, meals on wheels programs, child welfare services, services for disabled children and adults, child care, long-term care, and a host

of other locally delivered services. Federal reductions in funding have threatened the viability of these programs and services. To address this funding shortfall in FY 1999, 39 states transferred TANF funds to SSBG—33 states transferred more than 4.25 percent. If the transfer provision is unchanged, then states that used TANF funds to compensate for the federal reductions to SSBG will suffer a reduction in services to these vulnerable populations in future years.

PROPOSAL

Maintain State Option to Transfer to the Child Care and Development Fund

APHSA supports the continuation of the option for states to transfer up to 30 percent of their TANF funds to CCDF and supports the flexibility for states to fund child care services directly out of TANF. APHSA urges a change in the statute to clarify that child care not be categorized as “assistance” in any instance.

EXPLANATION

As more families make the transition from welfare to work, it is likely that expenditures for child care will continue to grow. Rising costs of subsidies and new quality enhancements will push costs higher in future years as well. The costs for child care are rising rapidly—so much so that in many states child care spending has exceeded that of cash assistance. In FY 1999, nearly \$4.5 billion TANF funds were spent on child care services. Forty-one states transferred TANF funds to the Child Care and Development Fund (CCDF) and even more states spent TANF funds directly on child care. Under current law, states may transfer up to 30 percent of their TANF block grant funds to CCDF. Under federal regulations, child care expenditures are considered to be “nonassistance,” except in the instances where TANF is used to pay child care costs for clients who are not working.

PROPOSAL

Restructure Tribal TANF

Reauthorization of TANF presents an opportunity to resolve and to assign tribal TANF responsibilities in a way that all parties are held accountable. Currently states are held accountable for the consequences of needy Native American families if a tribe elects to operate its own TANF programs in a geographic area but defines its service population in a way that excludes some tribal families. States lack authority over tribal implementation of TANF; however, they are expected to provide services to those who are not included by a tribal TANF plan, in some instances, without the resources to serve them. The association recommends the creation of a separate TANF block grant for tribal governments funded with 100 percent federal funds and no state MOE requirement. The tribal TANF block grant allocation should be in addition to the \$16.8 billion allocated for the state block grants. The new block grant would allow state and tribal governments to continue to collaborate absent financial and service population concerns. The tribal governments would negotiate directly with the federal government on the design and performance measurement of their programs.

EXPLANATION

Under the 1996 welfare reform law, tribal governments may opt to administer their own tribal TANF program. Tribal governments and the federal government negotiate the size and scope of the tribal

TANF program without the input or approval of the state TANF agency. If a tribe opts to administer the program, the tribal TANF block grant amount is subtracted from the state's TANF block grant allocation and the state's MOE requirement is decreased proportionately. A Tribal Family Assistance Grant (TFAG) is based on the federal share of the state's expenditures for federal FY 1994 for Native American families residing in the service area(s) as defined by the Native American tribe. Two or more tribes may expect a TFAG based on the same or overlapping service area(s). Tribes' provision of welfare-related services need not include the issuance of grants to any or all of the population to be served. Under the current law, the federal government does not consider assistance under the TFAG to be duplicative of a state TANF grant if the service provided to a family through the TFAG does not include a cash grant. In states where tribes make up 50 percent or more of their TANF caseload, the financial impact on states of these policy inconsistencies is substantial.

In addition, tribal governments may negotiate different work requirements than those mandated in the federal statute. Those tribes operating tribal JOBS programs may also use different criteria, however, the clients participating in those programs are included in the state's denominator when calculating work participation rates. Therefore, the inconsistencies in these programs may result in states failing the work participation rates through no fault of their own.

In some states, the tribal TANF option has a profound impact on design and administration of the state's TANF program. States have expressed concerns with the inconsistencies of federal determinations among various tribal TANF programs, particularly as they relate to the role of the state, tribal, and federal governments.

PROPOSAL

“Assistance” Definition Should Exclude Unobligated Funds, Child Care, and Transportation Expenditures

The association recommends that states be permitted to use unobligated TANF funds for any purpose allowable under the act and that the “assistance” restriction be removed. Furthermore, child care and transportation aid should be considered nonassistance in all instances. It is unfair to apply the lifetime time limit to families that receive child care funded with TANF and treat families receiving other publicly funded child care differently. This federal regulatory interpretation is neither reasonable nor fair and should be changed.

EXPLANATION

The federal regulations governing the use of federal TANF funds draw a distinction between “assistance” and “nonassistance” expenditures. “Assistance” is defined in the final TANF regulations as “benefits directed at basic needs” (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses) and “child care, transportation, and supports for families that are not employed.” When a family receives “assistance,” the lifetime time limit, work requirements, and child support assignment rules apply. These rules do not apply to all other types of expenditures, termed “nonassistance.” Federal regulations also state that unobligated federal TANF block grant funds after the close of the fiscal year may be expended in future fiscal years on “assistance.”

PROPOSAL

Strengthen Out-of-Wedlock Reduction Bonus by Focusing on Teen Pregnancy Prevention

To reduce intergenerational dependency on government assistance, APHSA recommends strengthening the TANF Bonus to Reduce Out-of-Wedlock Births by adding a new performance measure aimed at reducing adolescent birth rates. Success in this area will have long-term benefits that will reduce future dependence on TANF.

EXPLANATION

The welfare reform act calls on states to encourage the formation and maintenance of two-parent families and to end dependence of needy families on government benefits by promoting job preparation, work, and marriage. The act also established a bonus fund to reward the top five states that have been successful at reducing their incidence of out-of-wedlock births for the entire state population.

Since 1996, states have increased their focus and efforts to reduce the teen pregnancy and out-of-wedlock birth rates. Additional efforts need to be conceptualized and implemented to reduce the out-of-wedlock birth rate.

Single teen parents are more likely to end up on public assistance, more likely to drop out of school, have lower job skills, and lower earning potential. A strategy that helps teens avoid this life-changing circumstance is important to human service commissioners and policymakers alike. The association believes that in addition to the goal of reducing out of wedlock births, a greater emphasis should be placed on the reduction of births to unmarried teens in an effort to address intergenerational dependency on government assistance.

PROPOSAL

Update Work Measures

If work rates remain as the chief measure of TANF success, then they should be restructured to address major shortfalls. Under APHSA's proposal, every TANF client should be engaged in a work preparation or employment activity. In addition to maintaining core work requirements, states should be afforded the flexibility to define work preparation in recognition of the changing characteristics of the populations served.

States with different definitions of work under welfare waiver demonstration programs should be allowed to continue to apply these definitions. Two-parent families and single-parent families should be subject to the same work participation rates.

Recognizing that each state is unique and at different phases of welfare reform, at state option, measures of job placement, job retention and earning progression could replace the current work participation rates. Under this proposal, every TANF client should be engaged in a work preparation or employment activity.

EXPLANATION

Work is the centerpiece of welfare reform. Prior to TANF, work was a volunteer activity for clients under AFDC. Mandatory work requirements, targets, time limits, and bonuses under TANF have

encouraged states to place a strong work-first emphasis on their programs. Since 1996, families have exited welfare for work in record numbers. While some originally believed states would operate large community work experience programs to meet work requirements, this has not been the case. In the most recent year data are available, more TANF clients have moved into the unsubsidized private-sector work than any other work category.

The current TANF work participation rate data show the work status of the families that remain on assistance to be part of an ever-shrinking caseload. In light of the success states have achieved in moving clients to work, a new emphasis has been placed on evaluating the circumstances of TANF “leavers,” yet, the current work data yields no useful information in this area.

Under APHSA’s proposal, every TANF client should be engaged in a work preparation or employment activity.

For those clients who remain on TANF assistance, many of whom have serious barriers to employment, APHSA believes those clients should be on a pathway to employment as well. However, the current definitions of work fail to measure their progress toward this goal. Furthermore, restrictions on activities and minimum hours of work fall short of measuring the extent to which these clients are engaged in mental health or domestic violence counseling, substance abuse treatment and prevention services, or literacy and remedial education. These activities are essential to job preparation and should be valued as such.

Vision

The Temporary Assistance for Needy Families block grant was enacted four years ago and the success achieved by states has been remarkable. APHSA believes states should be afforded the opportunity to continue their work without tremendous change to the existing statute. TANF, a new program that replaced a 60-year-old law, is ever-evolving and changing as states devise new structures of program delivery and service design to better serve needy families. While much has been achieved, there is an unfinished agenda of welfare reform—one that involves on-going supports to low-income working families as well as one that seeks to remove the barriers for clients with multiple barriers to overcome. The work of the TANF agency does not end when families exit the cash assistance caseload; indeed, in some states many more families are being served today than ever were served under the AFDC program.

Progress for TANF and post-TANF families should be measured not only by the wages earned by an individual, but also the cash value of income supports such as the Earned Income Tax Credit (EITC), child care assistance, food stamps, and child support income. Taken together, these income-enhancing benefits lift families well above the poverty line. However, conflicting and at times contradictory federal program rules deter eligible families from gaining access to these critical benefits. States must be afforded increased flexibility in the administration of these federal programs.

APHSA believes the focus on work is an appropriate one. APHSA understands the welfare caseload is not homogeneous and that some clients can move to work easily while others require more intense interventions. And APHSA knows that in order for clients who have moved into employment to remain employed, to increase wages and to seek and obtain new and better opportunities, the work of the TANF agency must continue. The association firmly believes the flexibility afforded states under current law should be maintained in reauthorization and that the state and federal funding levels for the program should remain stable as well. We need to stay the course.

Food Stamp Program

Current Program

The last major legislative overhaul of the Food Stamp Program (FSP) was the Food Stamp Act of 1977. Although modified many times since then, the basic elements of food stamp law have changed little. The program remains one designed to function in a time when most food stamp recipients also received cash payments through the former Aid to Families with Dependent Children (AFDC) program. Few recipients worked and their monthly budgets were predictably steady.

The world of public assistance has changed radically; increasing numbers of participants have successfully moved into the workforce, and the typical food stamp budget is now one that includes fluctuating wages from an entry-level job. AFDC has been replaced by Temporary Assistance for Needy Families (TANF) with its array of work supports, diversion payments, and other forms of assistance that may or may not include a traditional monthly check; cash assistance is no longer the “gateway” to other public assistance.

At a time when the federal government has granted new flexibility to states in the design and administration of the multi-billion dollar Medicaid, State Children’s Health Insurance Program (SCHIP), and TANF programs, no comparable flexibility has been granted in FSP. In contrast, the many changes made in food stamps over the years have almost always increased the program’s complexity. Many recent changes have been made solely to achieve federal cost savings—but they have also caused caseloads to fall, program complexity to worsen, and administrative costs to soar. Most notably, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the welfare reform law, put in place three eligibility restrictions and requirements on current recipients of food assistance: noncitizens were banned from the program, the standard and shelter deductions were capped, and the Thrifty Food Plan was reduced.

In addition, new work requirements and time limits were put in place for able-bodied adults without dependents (ABAWDs), and new sanctions were enacted to reduce or eliminate benefits for those out of compliance. The employment and training (E&T) program’s resources were targeted largely to ABAWDs—an ever-shrinking part of the client caseload—leaving state programs with surplus funds and families newly ineligible for such assistance. A state mandate to implement a nationwide electronic benefit transfer system was also enacted, accompanied by several unfunded cost shifts to states.

One year later, in 1997, FSP was reduced again—this time by a cap on federal reimbursement for state administrative costs and a multiyear cut in the E&T program. These changes generated federal

Restrictive eligibility requirements, increased federal micromanagement, and the growing disconnect with the flexible TANF program have all contributed to a decrease in the number of families who receive food assistance benefits.

savings in excess of \$1.7 billion. And while a portion of the noncitizen caseload banned under the welfare reform law was reinstated, the change left many noncitizens perplexed and confused about their eligibility status. New cost containment requirements, such as death matches and prisoner matches, have also driven up the cost of administration of the program.

Outdated quality control measures, no longer contemporary with the increased numbers of working food stamp clients, have resulted in huge financial penalties on states for failure to calculate fluctuating monthly food stamp income amounts.

Both state administrators and food stamp recipients have become extremely frustrated with the program, and support for the program as it now stands is rapidly weakening. Restrictive eligibility requirements, increased federal micromanagement, and the growing disconnect with the flexible TANF program have all contributed to a decrease in the number of families who receive food assistance benefits.

Challenges

SYSTEM NEEDS FUNDAMENTAL CHANGE, NOT ADJUSTMENT

APHSA supports a broad system overhaul of FSP. The program has been and must remain an important component in the complement of benefits and services for vulnerable families, but the time has come for major changes—not further incremental adjustments to existing law. The Food Stamp Program has fallen far out of step with the current state and national priority of moving families toward self-sufficiency. APHSA will aggressively move an agenda of simplification, broadened eligibility, vehicle and resource exemption reform, and outcome-based evaluation. To undergird these changes, APHSA will urge national policymakers to provide FSP with the support and investment necessary to adequately fund the program's benefits and the changes states seek.

The Food Stamp Program should serve as a vital and integral food assistance component in the nation's efforts to maximize independence among low-income families and vulnerable individuals. The program should provide food assistance in a way that (1) supports work and preparation for work and (2) increases access to nutrition assistance for elderly and disabled individuals.

The major policy changes APHSA seeks center around a gross-income basis for food stamp budgeting and an end to the present reliance on a long and complicated set of discrete deductions. Eligibility determination must be radically simplified, or even made automatic for stable groups such as Supplemental Security Income (SSI) recipients. Federal regulatory authority should be confined to that specifically allowed by statute, as is the case in the TANF program.

FEDERAL INVESTMENT TO EXPAND ACCESS

There is a broad national consensus that the program should expand its access to those families making the transition to self-sufficiency, and new federal investment must support that expansion. Federal policymakers also have a major responsibility to remold FSP's image into one that is positive and open. This has been done with great success in the Medicaid program and the State Children's Health

Insurance Program (SCHIP); these programs are now rightly seen as services that should be actively promoted and provided to eligible recipients. This can happen as well in FSP through education, outreach, and affirmative support of both the program and state administrators. The Food Stamp Program must be realistically portrayed as a vital element in the budgets of low-income families while retaining its traditional role as a support for food security.

REALISTIC OUTCOME MEASURES

Finally, the program must turn sharply away from its long-time exclusive focus on process and payment accuracy. While sound program administration remains important, that element must take its rightful place as only one component in a much broader scheme of measuring the real improvements the program makes in the lives of recipients. The present food stamp quality control system must therefore be replaced by appropriate and realistic outcome measures.

States must be provided with the flexibility to design their application forms and procedures, particularly as necessary to align them with those of other programs, within the framework of assurances of timely processing, such as same-day application filing and expedited service procedures.

Recommendations

PROPOSAL

Simplify Food Stamp Allotment Calculation

The Food Stamp Program's allotment calculation methodology must be greatly simplified. A system that is based simply on gross income, that is adequate enough to provide benefits to meet family needs, is a far preferable alternative to the present system. The simplest approach to this solution is a benefit table structured around gross income that is sufficient for food assistance needs as well as other basic demands on household budgets such as shelter costs. APHSA will examine several alternative approaches to assess their effects on current food stamp households and overall program costs.

Based on preliminary data, APHSA believes it is feasible to develop a vastly streamlined allotment calculation methodology. For example, it appears possible to use total monthly gross income with an upper limit of 150 percent to 185 percent of poverty, adjusted by certain percentages that allow for an earned income disregard and essential expenses, to yield a benefit table providing the majority of program recipients with allotments equal to or higher than present levels. It also appears that this proposed methodology could extend eligibility to additional low-income working families—those with the greatest need for short-term support as they transition into the workforce—and assure that the flow of food stamp benefits will increase to all states.

While preliminary data point to higher overall program benefit costs for this methodology, making this investment in FSP would be amply repaid in greater program access, less confusion, and simpler administration.

EXPLANATION

The Food Stamp Program currently takes a recipient family's income and makes certain adjustments to calculate what portion of it will be used to determine eligibility and benefit levels. Since 1977, the program has determined this countable income by starting with gross income, then subtracting a set

of deductions for certain expenses, and finally adjusting for the assumption that no more than 30 percent of a household's income is theoretically available for food. This methodology in fact has never allowed for the amount of a low-income family's budget that is truly available for food; the most obvious example is that no deduction is available for vehicle ownership or operating expenses. Further, the set of allowable deductions has varied over time with the vagaries of politics and periodic moves to cut program costs, and has now grown so complex that it constitutes one of the program's greatest administrative burdens. This complex process is also a major element of client frustration and misunderstanding, and adds substantially to the program's barriers to access and participation.

PROPOSAL

Simplify Application Processing, Change Reporting, and Recertification

Food stamp statutory language should be modified to adopt the review concept that is currently used in TANF and Medicaid, under which a case is considered eligible until modified or terminated. This approach should be combined with a reasonable reporting requirement for all households, similar to that in the portion of the November 2000 regulation dealing with six-month reporting. In addition to a rational income reporting requirement, the proposal could include reporting of such changes as a change in source (not amount) of income and in household membership. This proposal will result in a dramatic decrease in the amount of case processing time and reporting requirements.

States must be provided with the flexibility to design their application forms and procedures, particularly as necessary to align them with those of other programs, within the framework of assurances of timely processing, such as same-day application filing and expedited service procedures.

For recipients who are working, this proposal creates a substantial incentive to remain in the workforce and to accumulate assets. It also provides all food stamp households the same advantage of the transitional benefit that will be proposed below for TANF households.

EXPLANATION

Application processing, change reporting and processing, and recertification procedures are still micromanaged by federal regulations to an extent far exceeding requirements in the food stamp statute. Unfortunately, the final regulation issued by FNS on November 21, 2000, not only retained prescriptive and complex requirements for applications but even added new ones. This occurred even though the regulation was nominally issued to implement provisions of the welfare reform law designed to increase state flexibility in these areas. New requirements were also added regarding recertification procedures.

In addition, despite the regulation's provision of an option to allow six-month reporting for earned income households, food stamp policies continue to fundamentally restrict state flexibility with respect to change reporting and processing. States find it impossible to create integrated applications and redetermination and change reporting procedures across the various programs that serve low-income families and adults. These provisions will continue to hamper administrators and discourage recipients with additional paperwork and red tape.

PROPOSAL**Provide Transitional Food Stamp Benefits**

The Food Stamp Act should be amended to allow benefits to be continued for six months at the level authorized prior to cash assistance (TANF, General Assistance) closure when the following conditions exist:

- the cash assistance case closes due to excess income; and
- at least one member of the FSP household has countable earned income.

Neither a new application, an updated application, nor an interview would be required. If certification periods are not eliminated as proposed above, then the six-month period should be set without regard to the number of months the household has already been certified. If the household returns to cash assistance during this time period, transitional food stamp benefits would end and a new benefit level would be calculated. Use of the transitional benefit would not bind a state to any specific reporting method after the six-month period expires.

EXPLANATION

The Medicaid program has a very successful transitional Medicaid benefit that helps families make the transition to self-sufficiency when cash assistance ends. When the household first obtains a job, it must cope with new challenges like child care, transportation, and varying hours. It is difficult for the family or state to predict the amount of earnings and deductions, or whether the job will last. A counterpart policy for food stamps would provide FSP benefits for six months, without regard to income changes, giving household circumstances a chance to stabilize. Then, at redetermination, it will be much easier for both the family and state to predict future income.

Again, the November 21, 2000, regulation has provided a degree of relief by allowing three-month transitional benefits. However, a policy that is even more flexible and that is reflected in the Food Stamp Act is still needed.

The food stamp asset limit for vehicles is particularly inappropriate; it has barely changed since 1977 and forces many low-income working families to choose between owning a reliable car and staying on the program.

PROPOSAL**Exempt One Vehicle and Simplify Asset Tests**

The asset policy should be changed as follows. Other aspects of current law would remain in effect.

- The asset limit will be \$5,000 for all types of households.
- One vehicle per working person will be fully exempt; additional vehicles will be counted at their equity value. (Vehicles required for producing income are exempted under the general exemption for any assets used to produce income.) All households will have at minimum one fully exempted vehicle.
- Exempt as countable assets all retirement accounts and education savings accounts.
- Exclude the Earned Income Tax Credit as a resource for all households, with no time limit.
- Allow states to liberalize food stamp asset policy as appropriate to align with their TANF policy.

EXPLANATION

Food stamp asset limits are extremely outdated and have not kept pace with the costs of living or with the changes of welfare reform. Increasing asset limits and exclusions would expand access to the program for clients and would simplify the asset test for state administrators by allowing alignment with TANF policy. The food stamp asset limit for vehicles is particularly inappropriate; it has barely changed since 1977 and forces many low-income working families to choose between owning a reliable car and staying on the program. The significant policy improvements recommended above will also eliminate the need for the present complex and confusing categorical eligibility rules.

PROPOSAL

Simplify Household Composition Rules

Food stamp policy should be revised to allow the following:

- Children who are under 18 years of age and live with their parents must be considered part of the parents' household, regardless of whether they purchase and prepare meals together or separately.
- Allow any person age 18 or older that is unable to purchase and prepare meals separately due to a severe physical or mental disability to have separate household status.
- The Social Security Administration (SSA) should add a nutritional supplement for SSI recipients. SSA would administer the payment although its costs would continue to be funded from FSP. SSI recipients would no longer be eligible for the separate FSP and therefore would not be considered household members.

EXPLANATION

Several food stamp household composition policies are outdated, inconsistent, or needlessly complex. Currently children 21 years of age or younger must be part of their parents' group. However, this requirement applies to children under 18 years of age that live with and are under the parental control of a person other than their parent. The age at which the mandatory inclusion in the household applies should be the same. In addition, current law allows separate status for disabled persons 60 years of age and older, so that these persons may reside in the least restrictive setting possible. This goal is appropriate for all adults regardless of age. Finally, in many states SSI recipients are automatically eligible for Medicaid and a state supplement to SSI. SSI recipients are either elderly or disabled and have few resources.

PROPOSAL

Enhance Employment and Training Programs and Encourage Work

The federal government must provide sufficient employment and training (E&T) funding to serve all those subject to work requirements, and to lift the caps on reimbursement amounts.

In addition states must be able, at their discretion, to select the following new options that will simplify work program administration, enable coordination and alignment among the various work program funding streams, and provide appropriate welfare-to-work opportunities for program participants.

- Implement alignments and simplifications among their work programs, including TANF and those funded under the Workforce Investment Act (WIA). This option must include the flexibility to

align food stamp and TANF work requirements, including making those subject to food stamp work requirements the same as those subject to the state's TANF work requirements.

- Eliminate the special status now held by ABAWDs and mainstream this group and all others subject to food stamp work requirements into the state's existing standard workforce development program. This would include elimination of time limits for ABAWDs, since the state would be referring them to a work activity within the same time frame used in its TANF program.

Measures of the effectiveness of food stamp work activities must be outcome-based and consistent with those in other work programs. They should reflect such criteria as job placement, job retention, and earnings progression.

Measures of the effectiveness of food stamp work activities must be outcome-based and consistent with those in other work programs. They should reflect such criteria as job placement, job retention, and earnings progression.

EXPLANATION

The Food Stamp Program currently provides an E&T program under which states may provide employment, training, and workfare to able-bodied recipients to the extent allowed by E&T funding. E&T funds have always been meager and most states have been able to do little beyond offering job-search activities. The E&T program's problems were exacerbated in 1996 and 1997 when changes in the law imposed an administratively cumbersome work requirement on single childless adults (ABAWDs) and unrealistically set aside 80 percent of E&T funds for ABAWD work slots.

PROPOSAL

Restore Eligibility for Noncitizens

Federal food stamp eligibility for legal noncitizens should be restored by reinstating the noncitizen policies in effect prior to the enactment of the welfare reform law in August 1996. In addition, existing benefit calculations for noncitizens must be greatly simplified and aligned with program policy for other households.

EXPLANATION

Shortly after the welfare reform law was enacted, FNS acknowledged that the new criteria for determining the eligibility of noncitizens presented some particularly challenging implementation issues and administrative challenges. In addition, many states, recognizing the extreme hardship facing many noncitizen households as a result of the new law, chose to implement the option to provide state-only food stamp programs for selected segments of the newly ineligible noncitizen population. Subsequent federal legislation has restored federal eligibility to some, but not all, noncitizens. While the partial restorations are helpful, this piecemeal approach to the restoration of noncitizen eligibility has increased complexity, confusion for both staff and recipients, and errors.

PROPOSAL

Enhance Benefits and Program Access for Senior and Disabled Individuals

The following changes and options will greatly improve participation by elderly individuals in the program:

- Increase the minimum allotment to at least \$25 for one- and two-person households, with automatic adjustments for inflation;
- Adopt the recommendation in the “Household Composition” section above to include a nutrition supplement as part of the SSI payment.
- Examine the feasibility of optional cashed-out benefits for households with senior and disabled individuals who are not SSI recipients.

Elderly individuals are defined in FSP as those age 60 and over. Despite this broad definition, they are the most underserved group among food stamp recipients.

EXPLANATION

Elderly individuals are defined in FSP as those age 60 and over. Despite this broad definition, they are the most underserved group among food stamp recipients. The amount of food stamp benefits for which many elderly individuals qualify is often low and, in many cases, the minimum benefit (now only \$10 per month). Yet to receive this low benefit amount, elderly individuals face a variety of barriers.

These include extensive paperwork requirements to obtain a deduction for medical expenses, the implication of dishonesty caused by quality control-driven verifications and investigations, discomfort with dealing with electronic benefit transfer (EBT) systems, and low resource limits under which savings accounts and reliable cars cause ineligibility.

PROPOSAL

Simplify Benefits for Persons in Group-Living Arrangements

APHSA proposes the following alternative for shelters and treatment centers. States should be allowed, at their option, to make payments for food stamp recipients through a billing system whereby the facility would bill the state at the end of the month for the number of days the resident was in the facility. The per diem would be based on the average allotment issued to all food stamp recipients just prior to the implementation of the option. The per diem would be adjusted each year based on the percentage increase in the Thrifty Food Plan. A person who leaves the home or center would report the change of residence and receive a prorated allotment for the remaining number of days, if eligible.

EXPLANATION

Current policy for providing allotments to residents of nonprofit group-living arrangements, domestic violence shelters, homeless shelters, and substance abuse treatment centers must also be revised. Under the present complex and cumbersome rules, states must spend an inordinate amount of time determining eligibility and calculating budgets for the relatively few food stamp recipients who reside in these facilities. In addition, there are many rules governing how the allotment is issued and what part of the allotment must be given back to a person who leaves a center. Issuing benefits via EBT has added more complexity.

PROPOSAL

Amend Electronic Benefit Transfer Program Administration

Two proposals should be considered.

- The 50–50 administrative match must be increased to ensure that EBT costs do not continue to shift from the U.S. Department of Agriculture (USDA) to the states. In particular, USDA should share their savings with states by paying 100 percent of costs of functions that were federal responsibilities under the paper system, such as the food stamp redemption aspects of retailer management. In addition, EBT law must be changed to eliminate any reference to a “cap” on federal dollars (i.e., cost neutrality) and to assure full federal coverage of costs associated with benefit portability (i.e., interoperability).
- Certain EBT functions that belonged to USDA under the paper system should be taken back by the department (provided, however, that USDA does not impose new federal standards on states). One possibility, presented in an “Alternatives Analysis” commissioned recently by USDA, would be for the department to take back sole responsibility for retailer management by supplying the equipment needed to redeem the electronic food stamps. The department has a national network of offices already involved in retailer management that could support this function. It also might improve the competitive landscape by allowing new vendors to bid on a substantive piece of EBT business while streamlining the overall requirements for EBT prime vendors.

EBT has proved to be a very successful and well-liked delivery system for food stamp benefits. It removes the stigma associated with paper coupons and supports work and preparation for work by putting clients into the economic mainstream—they can use “plastic” like everyone else.

EXPLANATION

EBT has proved to be a very successful and well-liked delivery system for food stamp benefits. It removes the stigma associated with paper coupons and supports work and preparation for work by putting clients into the economic mainstream—they can use “plastic” like everyone else.

However, states have paid a high price for this success story. In particular, more and more states are now spending more state dollars for EBT benefit delivery than they did for the old paper coupon system. The primary reason is the significant cost shift to states for responsibilities, like the food stamp redemption aspects of retailer management, which belonged to USDA under the paper system. Also, there are substantial and inherent differences in the federal requirements for EBT and the paper coupon system that have resulted in unfunded mandates such as an around-the-clock, toll-free help line for clients and retailers. State costs are also rising due to the lack of competition among vendors; currently, 33 states all share the same EBT prime vendor and are seeing basic prices double and triple from those paid just a few years ago.

The traditional 50–50 match for administrative expenditures is no longer adequate and does not reflect the shift to states of responsibilities that formerly belonged to USDA. At the same time, USDA is realizing significant cost savings since the department no longer has to pay for the printing, distributing, redeeming, and accounting for paper stamps.

PROPOSAL

Enhance Program Flexibility

The USDA secretary's waiver authority must be expanded to require approval of state requests on the simple basis that they demonstrably simplify program administration, improve efficiency, and/or enhance access to benefits. The extensive waiver limitations and exclusions in present law must be removed. In addition, policies that counteract the benefits of welfare reform, such as counting diversion payments as income, should be repealed.

In addition, the pre-welfare reform policy must be restored that allowed administrative waivers without evaluation requirements.

EXPLANATION

A number of states have tried to simplify food stamp administrative processes using the USDA secretary's waiver authority. However, this authority is extremely limited because of restrictions in the law and the administration's imposition of strict year-to-year cost-neutrality requirements. In addition, states have sought to conform food stamp rules and procedures to their successful TANF program designs so that families participating in both programs can avoid contending with different (and even conflicting) requirements and timetables for recertification interviews, change reporting, verification, and the like. But current food stamp law allows only a very restricted degree of such conformity through the Simplified Food Stamp Program (SFSP) option. This option also has numerous statutory exceptions and a strict annual cost-neutrality requirement. Consequently, only one state has ever made use of the full option. In a January 1999 study, the General Accounting Office (GAO) criticized SFSP's lack of flexibility and its cost-neutrality requirement.

APHSA does not seek any waiver authority that could be used to alter FSP's basic character as an entitlement program.

Another example of restrictions on useful conformity comes in the area of TANF diversion payments. While some diversion payments can be excluded from food stamp income, others are not. The Food Stamp Program should recognize that any type of diversion payment, and any other similar assistance clearly designed to help households achieve self-sufficiency, must be exempted as countable income so that food stamp benefit reductions will not counteract state efforts to support welfare-to-work households.

APHSA does not seek any waiver authority that could be used to alter FSP's basic character as an entitlement program.

PROPOSAL

Create a New Outcome-Based Measurement System

The current quality control (QC) system should be dramatically revised and a new incentive system of outcome measures for working families and other program recipients should be considered. While program integrity remains important, the new system should consider measures of recipient advancement and provide incentive payments to those states with the best performance records. The outcomes could include increased family income and other indicators of greater self-sufficiency. States could earn additional incentive payments through high performance in other areas of program measurement, such as the percentage of former TANF recipients "attached" to food stamps.

Other important requirements for the new incentive system would include:

- all measurement systems and procedures must strictly follow program policy;
- sampling methodology must be reasonable and simple;
- any data collection requirements must be reasonable, simple, and within states' current collection capabilities; and
- differences among states (such as waivers currently in effect) must be fairly accounted for.

EXPLANATION

The Food Stamp Program is evaluated essentially by only one process, the quality control (QC) system that focuses exclusively on rigid compliance with detailed payment accuracy requirements. States that exceed the national average of payment errors are subject to substantial financial penalties. (A handful of states with very low rates can qualify for incentive payments.) This system places states into arbitrary "good" and "bad" categories, without taking any account of the rapid movement of many clients into the workforce or any credit for states' successes in moving families away from dependence. In fact, as more recipients enter the workforce and household income fluctuates more often, states' "error rates" go up.

The current quality control (QC) system should be dramatically revised and a new incentive system of outcome measures for working families and other program recipients should be considered.

PROPOSAL

Re-establish Equitable Federal Participation in Program Administration

The historic 50 percent match rate for normal administrative expenditures must be restored. In addition, states should be provided enhanced match for implementing and publicizing changes in the program.

EXPLANATION

The Food Stamp Program has always been a federal-state partnership under which the federal government provides benefit funds and administrative matching grants while states are responsible for day-to-day program administration. Until 1998, the federal government had always matched normal administrative expenditures at 50 percent, but this was reduced for nearly all states by cost allocation changes in the Agriculture Research Act enacted that year. That law said that states' TANF grants had been inflated because food stamp costs had been charged to AFDC in the base period, and that therefore states in fact already had been given excess funds for food stamp purposes. However, TANF law prohibits any use of the TANF block grant for non-TANF purposes. In addition, other administrative match cuts in the past decade have eliminated the enhanced funding once available for automated systems and anti-fraud activities. Meanwhile, the program has become far more complex and the administrative cost-to-benefits ratio has increased dramatically.

Vision

The Food Stamp Program has grown increasingly complex and costly to administer. Moreover, over the past decade this shift has driven families in need of food assistance away from the program. A comprehensive overhaul of the program must be the focus of reauthorization. Streamlined applications, stable benefit levels, transitional assistance, and simplified eligibility for the elderly and disabled can and should be accomplished. To the greatest extent possible, all those receiving food stamps should be afforded the same opportunities for employment and training with the goal of economic self-sufficiency.

The Food Stamp Program can be a critical safety net and work support program only to the extent it effectively reaches those it intends to serve.

Participation in FSP is a barometer of barriers to client access and support for the program. In this regard, since 1996 national food stamp participation has declined nearly 30 percent; participation of working poor families, which has never been high, is on the decline and elderly and disabled individuals still struggle with access to the program. The Food Stamp Program can be a critical safety net and work support program only to the extent it effectively reaches those it intends to serve. Once every five to seven years Congress reauthorizes the program; the 107th Congress has an historic opportunity and obligation to streamline the program and enact changes that can increase accessibility to millions of families in need of this vital assistance.

Child Care

Current Program

Child care is a significant issue in the United States and demand for it and interest in it shows no sign of weakening. The public's attention is fueled by several factors: first, the unprecedented numbers of women with children who are in the workforce; second, the high cost of care; and third, the difficulty that many families have in securing child care.

From a public policy perspective, child care is an essential service because of economic and labor issues, family and children's issues, and in no small measure, because the success of the welfare reform law of 1996 depends upon it. Congress recognized that the law's mandate for work would increase the need for child care, a necessity not readily affordable or accessible to low-income workers with children. As a result, much of the recent child care growth has occurred as a result of legislative changes in 1996, including the flexibility and funding afforded to states under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193 (PRWORA), and the expansion of child care funding.

Congress has tried to meet increasing demand by adding funds to the Child Care and Development Fund, Head Start, and other similar child care programs, and by allowing Temporary Assistance for Needy Families funds to be used for child care. Yet despite increased funding, with the unemployment rate the lowest in decades and the majority of mothers with children under age 18 in the labor force, there remains a pressing need for an adequate supply of affordable, reliable child care. States use these funds in a variety of ways, including center-based care, family home care, care in the child's own home, and care by relatives.

For many poor families, simply finding child care can be difficult because of their circumstances, i.e., a lack of infant care, nontraditional work hours, or their remote geographic location. Moreover, it is disproportionately expensive for poor families. An analysis of the percentage of income paid by poor families for care showed that they spent 35.7 percent of their income on child care while nonpoor families spent 10.3 percent of their income on child care (Congressional Research Service analysis of U.S. Census Data).

Congress has tried to meet increasing demand by adding funds to the Child Care and Development Fund, Head Start, and other similar child care programs, and by allowing Temporary Assistance for Needy Families funds to be used for child care. Yet despite increased funding, with the unemployment rate the lowest in decades and the majority of mothers with children under age 18 in the labor force, there remains a pressing need for an adequate supply of affordable, reliable child care.

On the present course, if welfare rolls continue to decline and as states strive to meet higher work participation rates, it is likely that the demand for child care will increase.

Not insignificant to the recent expansion of child care has been the relatively new emphasis on quality child care. This is largely the result of scientific research on learning, which has shown that a child's brain development is strongly tied to his or her environment. The research, in turn, has spurred recognition in the importance of early childhood development in the environment that quality child care is capable of providing.

Still, it is important to recognize that even the best child care is not a replacement for the quality of family life.

Still, it is important to recognize that even the best child care is not a replacement for the quality of family life. The family remains paramount to child development. Research clearly shows that,

regardless of the amount of time a child spends in care situations, and notwithstanding the important influence of a quality child care program on enhancing a child's development, the single most important factor in a child's life remains the family context. As family assets and economic strength increase, the emotional and physical good health and well-being of a child increases. As risk factors multiply—poverty, low work skills, poor or transient housing, lack of affordable and accessible quality child care—the well-being of a child decreases.

The growth of child care services raises additional issues that will have to be addressed in the next few years. The need for more care, greater options, and a variety of services will result in an increased demand for infrastructure. A lack of facilities where care is most needed is likely to have an adverse effect on the child care system's ability to address the needs of all families. Because child care is a relatively new and growing industry, backers of investment in the physical "plant" or buildings that house the care are not easy to find.

Funding

The Child Care and Development Fund (CCDF) is the name the Child Care Bureau has given to the new child care fund created by welfare reform. The fund is actually a consolidation of three federal funding sources and two state funds—discretionary funds, mandatory funds, and matching funds; state maintenance-of-effort (MOE) funds; and state matching funds. Congress has also created three quality set-aside programs as part of the discretionary fund.

Until fiscal year (FY) 2001, the discretionary fund, the Child Care and Development Block Grant (CCDBG), had been consistently funded at less than \$1 billion since its creation in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). For FY 2001, Congress provided a significant adjustment to the funding, increasing it to \$2 billion.

The mandatory funds are the previous Aid to Families with Dependent Children (AFDC)-related child care funds. The law creates a formula whereby a state is given a child care block grant based on its previous federal funding level under the three welfare-related child care programs. The three programs on which the formula is based include AFDC/JOBS child care funds for recipients in the JOBS program, training, education or work; transitional assistance child care for recipients who had left AFDC; and at-risk child care for low-income families not on AFDC (the at-risk funds were capped). States receive these mandatory funds as an entitlement, and federal dollars are provided without the appropriations process. States do not have a spending requirement deadline. Funds may

be carried over from year to year. Until FY 2001, mandatory funds represented the single biggest block of CCDF funds at approximately \$1.2 billion.

The matching funds were a new source of child care funding included in the welfare reform law. From FYs 1999–2002, the matching funds increase each year by \$200 million. In FY 1999 matching funds totaled approximately \$900 million. In order to gain access to matching funds states must meet a child care MOE equal to the state matching dollars expending in FY 1994 for AFDC-related child care programs—AFDC/JOBS, transitional, and at-risk. These MOE dollars must be spent by the end of the fiscal year. After the MOE is satisfied, states match the federal funds at the Federal Medical Assistance Program (FMAP), also called the Medicaid matching rate. States must spend these funds by the end of the fiscal year. Finally, a state must obligate federal matching funds by the end of the fiscal year but must spend or liquidate the dollars by the end of the second fiscal year. Matching funds not used by one state will be redistributed to the remaining applying states.

A growing source of increased child care funds are the “set-asides” usually intended to address quality. In FY 1997, a \$19 million fund for after-school resource and referral services was inserted into the appropriations bill. In FY 1998, a \$50 million infant and toddler care fund was created. And in FY 1999, an additional \$172 million in new quality funds were adopted. For FY 2001 the after-school funding stays at \$19 million, but the set-aside for infants and toddlers rises to approximately \$100 million, and the additional quality set-aside rises to nearly \$200 million. States already have the authority to and do spend dollars on after-school care and infant care; these funds must be in addition to other state efforts on after-school and infant care and may have to be tracked separately.

Other sources of child care funds include Temporary Assistance for Needy Families (TANF) block grant funds that can be used in three ways to fund child care services. States have the option of transferring up to 30 percent of their TANF block grant into the child care fund. States also can spend TANF dollars directly on child care services for TANF-eligible families. In addition, states can include child care spending in their state TANF MOE requirement. Under both TANF and CCDF, states must maintain a previous historic level of spending. Some of these state child care dollars can count toward both a state’s TANF MOE and the state’s CCDF MOE.

Prior to the creation of CCDF, Title XX, the Social Services Block Grant (SSBG), and CCDBG were the only significant sources of federal block grant dollars for child care. Pre-welfare reform figures indicated that 15 percent of SSBG funds were used to pay for child care. Over the pre-welfare reform decade, the number of states using SSBG funds for child care fluctuated between 45 states in 1990 to 51 states in 1995.

Another category of child care is Head Start, which provides more than basic child care needs, but the population served by Head Start and state child care programs overlap. With its origins dating back to antipoverty programs of 1965, Head Start provides early childhood development, education, health, and nutrition services. The majority of recipients are TANF or AFDC families. Head Start funds flow directly between the U.S. Department of Health and Human Services (HHS) and local grantees, bypassing state child care programs. Historically, Head Start has been predominately a part-day, part-year program. In recent years, due to the recognition of the overlap in families served, greater efforts have been advanced by states, HHS, and in reauthorization legislation to blend funding and efforts between state child care programs and Head Start. The intent is to extend services to full day and full year so that families in need of such complete child care services will not be required to move their children between Head Start and other child care providers.

Recent awards of new Head Start grantees placed a higher value on those new Head Start grantees that coordinated with child care, including the provision of full-day services and the “blending” of new Head Start funds with child care funds. The Head Start reauthorization in 1998 included new legislative authority that placed a heavier emphasis on child care–Head Start linkage. Governors are to be consulted by HHS in the selection of grantees if the state invests Head Start funds. The new law also allows the use of copayments for Head Start families if the program blends funding with child care funds into a full-day, full-year program. In FY 2001 Head Start funding will increase to close to \$6 billion.

Congress has also created the 21st Century Community Learning Centers, which provide after-school, continuing learning opportunities for children in a school setting. The program was created by Title X of the Elementary and Secondary Education Act. In 1998, \$40 million was provided directly to applying projects (schools) in rural and urban settings. The 1999 Congress increased the funding level to \$200 million, by 2000 it stood at \$450 million. These programs are viewed by some as after-school child care, but the range of programs that are funded across the country is varied and may not always address child care needs. The funds flow directly between the U.S. Department of Education and the local grantee. This program is relatively new and efforts to blend funds or coordinate programs with state child care are limited.

Challenges

There are three challenges to child care in the upcoming reauthorization: first, maintain and enhance child care funding as the key support to a successful TANF program while recognizing child care’s role in helping a broader range of families; second, maintain state flexibility afforded states under the law and streamline the rules pertaining to administration of these funds; third, enhance the quality of child care services.

Support for child care is intertwined with the growing public sentiment that child care is a critical service for the American family. Its customers are both the children who are cared for in a range of settings and their parents who need dependable, safe, and effective care so they can meet their work, educational, and family responsibilities. As the family and society changed in the 20th century, so has child care.

Recommendations

PROPOSAL

Maintain and Restore Funding; Preserve Flexibility

Continue funding the current CCDF at no less than \$2 billion in discretionary funds and \$2.7 billion in entitlement funding. In addition, add \$200 million annually to the matching fund portion of CCDF. The law should continue to maintain the state’s option to draw down these funds by a matching fund formula. Funds that are not fully matched by some states should continue to be available to other states that have drawn down all their current funds.

Restore SSBG in full to \$2.8 billion; maintain the TANF block grant at no less than current funding of \$16.8 billion; preserve state authority to transfer up to 30 percent of the TANF block grant into CCDF, and preserve the ability to spend TANF funds directly on child care.

Maintain current program flexibility. Specifically, states should be allowed to obligate funds and liquidate them over time. This structure is an important part of CCDF flexibility and permits states an opportunity to design child care plans that balance the expansion of services and new quality of care initiatives. At the same time, APHSA recommends that the deadlines for expending the discretionary, matching, and mandatory child care funds be reviewed to determine if they can be improved upon.

EXPLANATION

Child care expenditures are growing rapidly. In fact, states and local governments administer the largest sources of federally funded child care—CCDF, TANF, and SSBG. Since the establishment of CCDF, all states have met or exceeded the 100 percent MOE requirement; all federal matching funds have been drawn down; and all mandatory and discretionary funds have been obligated.

In 1999, child care spending had more than doubled since 1996.

In 1999, child care spending had more than doubled since 1996. Recent data collected by APHSA show that while states experienced a historic expansion of child care services in 1999, they also transferred large amounts of TANF funds to CCDF and spent TANF funds directly on child care services. In fact, in 1999 more TANF funds were spent on child care than all CCDF funds combined.

The current level of federal funding is inadequate to meet the needs of all CCDF-eligible families. Given the federal goal of providing services to all families with incomes at or below 85 percent of the state median, HHS officials estimate that less than 20 percent of all potential children are being served through CCDF.

PROPOSAL

Examine Links to Other Programs

Eliminate the link between the Child and Adult Care Food Program and SSBG. Instead, the link should be made to SSBG, CCDF, or TANF-funded child care. This will have the impact of making some child care providers eligible for nutrition assistance under the Child and Adult Care Food Program, while not requiring them to meet an arbitrary spending requirement.

Continue and encourage Head Start awards that favor full-day, full-year services and services that blend funds. Any efforts to coordinate CCDF funded child care and other federal programs must maintain and respect parental choice in the design of these coordinated projects.

Evaluate future expansion of funds for afterschool and out-of-school time programs to determine their role in child care.

EXPLANATION

An important service that plays a role in many child care programs is the U.S. Department of Agriculture's (USDA) Child and Adult Care Food Program, which supports not only good nutrition

for children in child care, but also can provide a vital link between CCDF programs and exempt child care services. This allows greater health, safety, and best practices information exchanges between these home-based providers and CCDF administrators. Unfortunately, the only way that for-profit providers of child care (no matter how marginal their profits) are able to qualify for the program is to establish that at least 25 percent of their child care “slots” or services are funded with SSBG dollars. This link is a remnant of earlier times when SSBG was the only major federal source of child care funding. SSBG has undergone severe reductions, forcing states to reduce their commitment to child care funding via SSBG. In turn, to maintain the eligibility of child care programs for the Child and Adult Care Food Program, states—at the advice of the Senate, USDA, and HHS—have been urged to pool these funds. “Pooled” means that states can mix very few SSBG dollars with other child care dollars to create a fund of child care dollars that are used to meet this food program requirement. These dollars fund 25 percent of child care slots so that these providers can qualify for a nutritional subsidy. The current structure creates unnecessary complication and administrative burden and results in restricting access for some children in child care. This is one example how other federal programs may play a role in the provision of child care. Other programs referenced in this paper include Head Start and programs that attempt to address out-of-school time needs of families and children.

After-school programs are an important part of child care services. This has been a special priority of some state child care systems. CCDF contributes a significant share of its funds for school-age child care. It is important that dollars invested in this service be maximized wherever possible. In recent years, after-school funding at the federal level has expanded significantly. APHSA urges that in future expansion of funds for after-school and out-of-school time programs be carefully evaluated to determine their role in child care. Out-of-school time funding must address child care needs.

PROPOSAL

Engage in Efforts to Improve Quality

The federal government should support research that contributes to the understanding of measurable quality indicators that can be addressed at state and local levels.

Promote policies that encourage public and private sectors in building and sustaining an early care and education workforce that is well-trained, well-respected, and adequately compensated.

EXPLANATION

For parents struggling to attain or maintain self-sufficiency, quality is a particularly significant issue. These parents are often the least skilled workers and fill entry-level positions in service and manufacturing industries that are associated with low pay and fluctuating hours or shift work. Many have compounded concerns around transportation, housing, medical care, and other basic needs. This makes their child care arrangements especially difficult to address and manage. Yet the overriding concerns for their children’s well-being remain a primary influence as they make decisions about work and advancement. If, as a nation, we expect families to be economically self-sufficient, we need to invest in the support services required to allow them to be so without sacrificing the well-being of their children.

Quality is an issue that will continue to grow in importance as the nation continues to recognize that child care is *both* a critical support for working parents and an opportunity to provide appropriate developmental and educational experiences that enhance the development and well-being of children.

Quality can be defined from various perspectives. From a family perspective, most parents are primarily concerned with the well-being of their children. Research supports the reality that parents cannot commit wholeheartedly to work and professional activity or training and educational opportunities unless they have confidence that while they work or study their children are in safe, stable care with trustworthy and competent caregivers. This reality cuts across the socioeconomic spectrum. As the majority of our modern workforce consists of working parents, safe, stable, developmentally appropriate child care, during the earliest years of a child's life and into out-of-school care for school-age children, is critical in assuring a stable, competent, committed workforce.

Quality is an issue that will continue to grow in importance as the nation continues to recognize that child care is both a critical support for working parents and an opportunity to provide appropriate developmental and educational experiences that enhance the development and well-being of children.

States need time and flexibility to expand and explore child care quality initiatives to determine how to invest quality funds into activities that generate responsive, flexible, community-centered, culturally relevant child care options that support strong families and nurture capable children. To support parents in choosing providers who meet their needs and respect and reflect their family values and culture, there is a need to address quality in every program or setting, including center-based care, family child care homes, and care provided by relatives and neighbors.

The most significant factor influencing the quality of a child care setting is positive interactions between caregivers and children. The child care industry currently faces a critical staffing crisis. Practitioners in early care and education receive low wages and minimal benefits for work that requires a high degree of skill and competence. The ever-improving job market has had a negative impact on this segment of the workforce. Quality as well as capacity suffers from the effects of rapid turnover and an overabundance of entry level staff in an industry where experience and expertise make the critical difference for children and families in care.

Over the past several years, as CCDF has expanded and services in all jurisdictions have grown, these systems have expanded in different ways. States are as diverse in their child care services. Thus, enhancing the quality of child care will involve a diverse set of approaches, not just between states but within states. Strong families will affect the well-being of children and child care is certainly a critical element in helping families stay strong. We need to support families in their choices of care and improve the quality of that care wherever it is provided. This means continued investment and a stable child care system and source of funding. There needs to be a more active role from the public and private sectors in building and sustaining an educational structure that will encourage individuals to select a career in child care. This means more involvement from the higher education community along with private-sector support for such a commitment. If a career in child care becomes a genuine option, then the end result will be a reduction in the workforce turnover rate and an increase in the workforce skill level.

This funds committed to quality research should not be drawn from subsidy funds but should be part of a minimal national commitment to our children. Funding for all 50 states for research in this area

could build a base of knowledge and help states make sound choices as they design integrated systems of care and education that benefit children, families, and a strong economy.

The goals of access and quality compete for limited child care resources. Increased reimbursement rates may build an infrastructure of quality child care. This approach would require significant increases in funding for child care assistance programs to support rate increases, as well as a continuing commitment to allocate some portion of funds toward quality enhancements that increase quality in all settings. APHSA believes funding increases in CCDF will help address the quality of child care.

Vision

Child care needs are likely to increase over the next decade and the demand for different types of care will grow as well. Maintaining and enhancing state flexibility in the financing and administration of child care are essential to meeting these needs today and in future years. Therefore, the current program structure that permits states to set priorities in the administration of CCDF, as well as the option to transfer TANF funds into CCDF, must remain intact. States should be granted more flexibility so that the financial rules governing CCDF do not consume valuable staff and administrative resources. In light of limited federal resources, the goals of achieving increased access to child care services often competes with the goal of improving child care. Additional funds may be necessary to make progress on both of these goals. However, new funds should not be targeted to certain populations or activities, and existing program funds should be leveraged together wherever possible. Enhancing the quality of child care services will produce real dividends today and for future generations as well.

Child Support

Current Program

Over the past 25 years, the federal-state partnership in child support has produced the most effective program administration in history, generating more collections than ever before through new and enhanced enforcement tools and practices. There has been a gradual shift, over the past decade, in the program's mission, from one of cost recovery to supporting the financial self-sufficiency of families; however, the transformation is incomplete.

New and stronger enforcement tools, granted to the states under federal law, have led to dramatic increases in collections in recent years. According to the U.S. Department of Health and Human Services, during the period from 1991 to 1999, child support collections more than doubled, rising to \$15.5 billion in 1999. Temporary Assistance for Needy Families (TANF) collections per TANF family increased from \$501 in 1994 to \$820 in 1998, an increase of 64 percent.¹ As states became more effective in collecting child support, the number of families seeking enforcement services increased nearly 50 percent, from 13.4 million in 1991 to 19.7 million in 1998.²

Increases in total collections have been the result, too, of greater investments in the program. Total federal and state administrative expenditures increased from \$1.8 billion in 1991 to \$3.6 billion in 1998. In 1998, for every dollar invested in administering the child support program, four dollars were generated in collections.

The child support program has fundamentally changed over the past eight years, increasing uniformity among states' programs and widening the array of tools states can use to collect support. No child support order can be issued unless the father's identity is acknowledged through the paternity establishment process. The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) encouraged this process by requiring states to set up voluntary in-hospital paternity establishment programs. Paternity establishments rose to 1.5 million in 1998, triple the 1992 level, in part as a result of these programs.

The law with the most far-reaching effects on the child support program was P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 or PRWORA, also known

As states became more effective in collecting child support, the number of families seeking enforcement services increased nearly 50 percent, from 13.4 million in 1991 to 19.7 million in 1998.

¹ "Analysis of Federal-State Financing of the Child Support Program," March 24, 2000, Congressional Research Service, Carmen Solomon-Fears, Gene Falk, Michelle Ganow, and Melinda Gish.

² "Child Support Enforcement—Annual Report to Congress," Office of Child Support Enforcement, Administration for Children and Families, U.S. Department of Health and Human Services.

as welfare reform legislation. The law included many provisions to increase the effectiveness of the child support program, such as the establishment of a New Hire Directory, a state disbursement unit, and new enforcement tools.

Employers are required to report information on new employees immediately to a state directory of new hires. States then report this information to a national database, allowing child support agencies to quickly locate noncustodial parents and send an income-withholding order to employers. In its first two years of operation, 2.8 million parents were located through this database.

To streamline payments, states were required to establish a centralized location for the collection and disbursement of support payments and now must distribute collections to custodial parents within two days of receipt from an employer.

The states' seizure of the assets of noncustodial parents delinquent in making payments has been enhanced. Through the Financial Institution Data Match program, states obtain information on assets of noncustodial parents that can be used to pay past-due support. In its first eight months of operation, this program located 662,000 accounts with a value of \$1 billion.

In addition, states may order genetic testing and make requests for information without having to obtain an order from a judicial or administrative tribunal, thus expediting the collection process. The paternity establishment process has been streamlined by permitting mandatory genetic testing in contested cases. States now suspend driver and professional licenses of delinquent parents.

Up to 30 percent of child support cases are interstate in nature (e.g., the custodial parent lives in New York and the noncustodial parent lives in New Jersey). Several legislative changes have been made in the past eight years to improve interstate case processing. The Full Faith and Credit for Child Support Orders Act (P.L. 103-383) was passed in 1994 and requires a state to enforce child support orders on the terms of another state that issued it. Welfare reform legislation in 1996 required states to adopt uniform laws and forms for processing interstate cases.

New enforcement measures have strengthened child support programs throughout the country, but the associated costs of these new federal mandates have been significant as well. It is important to note that the composition of the child support caseloads has changed significantly over the past decade. Under federal law, states are required to serve any family that requests child support services, without respect to their income. The child support program is widely considered to be a welfare-related program, due to its cost-recovery mission and historic composition of its caseload. Indeed, the fundamental funding source for the administration of the federal program was designed to be the state and federal share of child support collections made on behalf of current and former welfare families. In other words, federal and state governments, through the Aid to Families with Dependent Children (AFDC)/TANF program, would support families, and once child support was collected from the noncustodial parent, federal and state governments would share that collection as repayment for the period the family was on welfare. But the requirement to serve all families, regardless of income, introduced the financial challenge of paying for the administrative costs associated with those families that were never on welfare or who had left welfare. The state was mandated to serve them yet, unlike the welfare clients, no portion of the collection made on their behalf was retained by the state or federal government.

As state programs have increased in efficiency of collection, more families of all incomes have sought state services. In addition to this challenge, the federal law changed to mandate states to pass on a

greater share of collections to families that exit welfare. Taken together, these changes have resulted in a child support caseload that is increasingly “nonwelfare.” In fact, by fiscal year (FY) 1998, TANF clients composed only 29 percent of the national child support caseload. TANF collections increased from \$2.0 billion in 1991 to \$2.7 billion in 1998, a 35 percent increase. In contrast, total collections increased by 209 percent over the same period.

States use a variety of sources to pay for the administrative costs of their child support programs. The federal government provides a 66 percent match for basic administrative costs. In addition, states use the state share of child support collections made on behalf of TANF families (referred to as TANF collections); they use federal incentive payments they earn for high performance; and they invest state revenues that are not matched by federal funds.

A number of these funding sources are unstable or declining. While the federal matching rate has remained constant in recent years, the changes with respect to the incentive fund and the distribution of collections to former TANF families, for example, have resulted in less predictable funding for program administration.

Under current law, the federal and state governments take a share of the collections made on behalf of current and former AFDC/TANF clients. As mentioned earlier, this cost-recovery model repays the federal and state government for the cost of supporting the family while they were on welfare. In 1996, the federal law was changed to require states to pass through a greater share of collections to families that exit welfare. Over the past four years, TANF caseloads have declined more than 50 percent and as more families left welfare, TANF collections have declined.

In 1998, federal law placed a cap on the child support incentive fund and added new outcome-based performance measures. Under the phased-in formula, it is possible that a number of the states receiving high incentives under the old collection-based model of the past will not fare as well under the new results-based formula. In addition, the new capped fund structure sets up a “zero-sum game” that may result in fluctuations in the amount of incentive funding a state receives from year to year, which complicates states’ budgeting processes. Also, states that have already peaked on the performance measures could receive lower incentives over time as other states improve.

Challenges

SHIFTING PROGRAM MISSION FROM COST-RECOVERY TO INCOME SUPPORT

Although the child support program has shifted its mission somewhat toward one of supporting families, it still serves the role of recovering government welfare spending. State and federal involvement with the child support program was originally aimed at cost-recovery, i.e., to recoup government expenditures on cash assistance. Congress enacted the Child Support Enforcement and Paternity Establishment Program in 1975 to reduce public expenditures on welfare programs by obtaining support from noncustodial parents, to help non-AFDC families stay off welfare, and to establish paternities for children born outside of marriage so that support could be obtained for them. Child support also served to recover government spending on child welfare and health programs.

Over the years, though, passing on child support collections and providing other services to families has come to be seen as increasingly important. Today, the program straddles two missions: retaining collections from and giving collections to families. These two missions can sometimes cause

confusion for clients, caseworkers, and legislators who fund the program. When states keep child support collections, fathers have fewer incentives to pay, many argue. Also, mothers are unsure what share child support will make of their total budget until after they leave welfare.

Child support collections made on behalf of TANF families are still split between state and the federal government at the reverse of the federal medical assistance percentage (FMAP). (Under the AFDC program, the federal government matched state welfare spending at the FMAP rate.)

Also, the child support program's cost-recovery role yields complicated interactions with the TANF program. A custodial parent assigns rights to child support collections up to the level of "assistance" provided to the family. "Assistance" includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses). "Assistance" also covers transportation and child care to families who are not employed. "Nonassistance" covers benefits such as short-term nonrecurring benefits, work subsidies, child care, and transportation to families that are employed. If a family is only on "nonassistance," current support and post-assistance arrears are payable to the family. If the family is on "assistance," support rights are assigned to the state, giving the state the potential to claim amounts of current collections up to the amount of "assistance" given. For the next step, the state must determine whether the "assistance" is paid to the family. If it is, the state can claim support; if not, (i.e., it is paid by voucher to a provider) the current support collections would go to the family.

RISING PROGRAM DEMANDS AND DECLINING FUNDING SOURCES

Child support programs are facing increasing demands on their programs while at the same time experiencing a loss in funding. The demands on state child support programs are higher than ever before. Welfare reform legislation contained numerous mandates on states (as outlined above) that are expensive and time-consuming. With these new tools, expectations on states to improve child support collections have risen.

Furthermore, caseloads continue to steadily climb, growing 5.6 percent from 1994 to 1998, from 18.6 million to 19.7 million cases. Families are leaving TANF rolls at record rates, but these families continue to need IV-D services. However, states receive no share of current collections made for families not on TANF. In 1995, 41 percent of the IV-D caseload represented AFDC families, while in 1998, only 29 percent represented TANF families.³ States, when surveyed by APhSA in November 1998 and June 2000, noted these trends of increased caseloads and decreased retained TANF collections as a source of instability for their child support programs.

COMPLEX AND COSTLY SYSTEM OF DISTRIBUTION

The current system for distributing child support arrears collected on behalf of families that have left welfare is complicated and confusing. The assignment and distribution of arrears depends on what year the arrears accrued, whether the family was on welfare, and by what method the arrears were collected. If a family never received TANF, AFDC, or Medicaid, all of the child support collected by the state child support agency, including arrearages, goes to the family. While a family is receiving TANF benefits, the state can keep any child support it collects, regardless of how it is collected, to reimburse itself for the family's benefits.

³ Ibid.

For families that formerly received public assistance, the rules are more complex. For former recipients of public assistance, welfare reform legislation created a more “family friendly” distribution policy. In general, once a family leaves TANF, if the state collects child support for the family, the state must give the family any current child support as well as arrearages that have built up after the family left TANF and any arrearages that built up before the family received TANF before it reimburses itself for assistance costs. These rules do not apply, however, if the child support is collected through the federal tax refund offset program. If that is the method by which the funds are collected, the state can reimburse itself before it gives the family any payment for arrearages.

States were required to implement the new family-first distribution systems by October 1, 2000. The new system reflects compromises made during the debate surrounding welfare reform. States were concerned that giving all collections on arrearages to families would drain states’ budgets. The agreed-upon compromise helped states financially, but resulted in an extremely complicated system for distributing arrears. States have spent many resources programming computers to keep track of the many “buckets” of support, determining whether an arrearage accrued before assistance, during assistance, or after assistance; whether it is permanently assigned, never assigned, temporarily assigned, conditionally assigned, unassigned during assistance, or unassigned before assistance; and whether it was collected by the tax refund intercept program, by levy of a bank account, or by other methods. Many state personnel believe that the complexity of the system contributes to more errors and creates more difficulty in explaining payments to clients.

The current system for distributing child support arrears collected on behalf of families that have left welfare is complicated and confusing.

The complicated distribution system is a burden on state child support programs. Staff has spent considerable resources programming computer systems to properly distribute child support. Maintaining these systems requires continued staff resources.

In addition, families find the current distribution system hard to understand. The fact that an arrearage payment goes to the state rather than the family just because it was collected through the tax intercept program does not make intuitive sense, and states must devote staff to answer questions related to the current distribution rules. Such complexity adds to the sense of arbitrariness of the program and reduces public support for it.

Recommendations

Although welfare reform broke some of the links between child support and AFDC, the child support program still functions in many ways as a cost-recovery program for state and federal welfare expenditures. State and federal governments retain collections made on behalf of families. States pay the federal share based on the Medicaid match rate.

These continued connections with the IV-A program have increased its complexity, undermining the program by making it difficult to understand for the families and children it serves. Further, the current distribution rules may discourage noncustodial parents from meeting their obligations because payments are not passed on directly for the family. Distribution of arrears to families that have left TANF is particularly complicated, demanding considerable staff resources to program computers, correct errors, and explain payments to clients.

PROPOSAL

Families and children should directly benefit from the payment of child support. Payments should support the economic self-sufficiency of families and connect the responsibility of both parents to their children.

APHSA believes that this necessitates a shift in focus from a system of cost recovery to a system of economic support for children. To accomplish this, the following elements must be addressed.

- financing structures and mechanisms
- adequate implementation timelines for states
- adequate funding for necessary technology support
- state options for how child support payments should affect other state-administered programs
- full and sustained federal participation

EXPLANATION

States and the federal government should continue discussions about child support pass-through policy. The federal government should share in the costs of directing more child support to families as it did before the elimination of federal support of the \$50 passthrough under PRWORA. Directing more child support to families would be more financially feasible to states if in doing so, they are not required to repay the federal share. States should be allowed to count support passed through toward their TANF maintenance-of-effort (MOE) requirements, even if the support is not disregarded in calculating TANF benefits. Funding for passthrough policies should not come at the expense of other human service programs.

To be able to direct more support to families, states will need federal financial support to assist them with the systems costs associated with reprogramming computers for a new distribution policy. States should be given flexibility in determining how child support payments given to families affect other state-administered programs. In addition, states will need adequate timelines to implement pass-through policies.

The federal government should continue its strong support of the program by continuing to match state administrative spending at the 66 percent match rate and by providing incentives to states for strong performance.

A central consideration of any discussions of passthrough policy will necessarily be the financial impact of such a change. Although TANF collections have decreased as TANF caseloads have declined, states are still estimated to receive about \$1 billion a year in TANF collections in FY 2001, increasing to about \$1.4 billion in 2010.

These TANF collections serve important funding purposes to states. As the 1998 Lewin Report—commissioned by HHS—demonstrates, states use these collections to fund child support operations, to meet TANF MOE requirements, and to pay for other human service programs.

Still, some states may conclude that the advantages of distributing all child support to families, rather than retaining a share, may make the financial lift worthwhile.

First, distribution may be simplified because all funds would go directly to families. Second, giving all funds to families may promote self-sufficiency. Also under this approach, noncustodial parents may feel more connected to their children and may have greater incentives to make payments on a

regular basis. Reorienting the child support program so that all collections go to families may also serve to elevate the program's status. Rather than focusing on recouping state spending, the program would be about providing income support to low-income families.

In other states, though, the child support program may enjoy higher status as a program that brings in revenues to the state than it would if it directed all collections to families. Distributing all support to families may not make sense for other reasons. A state may determine that it is best to use its limited resources for another state priority. For example, a state may determine that increasing the TANF grant amount would benefit more families than passing through child support in light of the fact that not all families receive child support.

APHSA believes that the child support program should be focused on providing economic support for children rather than recovering state welfare expenditures. The association looks forward to continued discussions of passthrough policy and the fiscal and programmatic implications for states.

PROPOSAL

Remove the Cap on the Child Support Incentive Fund

EXPLANATION

APHSA supports an incentive program that rewards states for high performance in operating their child support programs. States rely on this funding to further improve their programs. The current incentive system, passed as part of the Child Support Performance and Incentive Act of 1998, was developed by a group of state and federal representatives who recommended that performance measures be broadened.

Against states' wishes, however, total funding for the program was capped. Under prior law, the incentive system was an open-ended program. Under this new system, one state's incentive payment depends upon how all others perform. As a result, states will have difficulty predicting what their performance will be each year, making state budgeting more uncertain. Further, states that currently have very high performance levels and maintain them could see their incentive payments shrink over the years as other states improve.

PROPOSAL

Oppose Private-Sector Access to State Information and Enforcement Tools

EXPLANATION

The 106th Congress introduced legislation that would allow public non-IV-D agencies and private entities to obtain IV-D information and use such enforcement tools as the federal tax refund intercept, reporting arrearages to credit bureaus, passport sanctions, financial institution data matches, and income withholding for unemployment insurance.

APHSA opposes any changes in policy that would expand access to IV-D information and remedies. States are concerned that this proposed legislation would splinter the national child support program that Congress has directed, through changes in statute, toward greater uniformity and consistency. The tremendous progress that states have made in collecting support using the tools provided under welfare reform would be jeopardized.

In addition, such legislation would impose a significant workload increase on state child support agencies. Linking IV-D with non-IV-D agencies would require significant computer programming and would require expensive security safeguards. Staff would be diverted from serving IV-D clients to dealing with the problems and issues arising from serving as the conduit to these enforcement tools for the non-IV-D entities that request them.

States would be given the extremely difficult and costly job of regulating these agencies to ensure they conform to the same data security, privacy protection, and due process requirements as a IV-D entity. Monitoring the activities and use of data of hundreds of private entities would be very challenging for any state.

States are particularly concerned about proposals that would give private entities access to IV-D information and remedies. Such a proposal would make very personal information on employment and social security numbers available too broadly. Allowing private attorneys access to this information could jeopardize its use for IV-D purposes. States would be unable to control the use of this information, violations of privacy would occur, and support for the use of child support enforcement tools would be undermined.

Although many private support agencies are scrupulous in their business practices, others are not. An increasing number of states have reported questionable business practices by some of these entities, including misrepresentation of the entity as a government agency and issuing income withholding notices to employers even when no court order is in place. APHSA is concerned about changes in policy that would further empower the less reputable agencies at the expense of families. (Private child support agencies currently take as much as 30 percent of child support payments as their fee.)

Even permitting expanded access to IV-D information at state option is problematic. If one state accepts this option, essentially all states' data is then open to these entities through the Federal Parent Locator Service and the National Directory of New Hires. A policy allowing states the option to expand access would lead to intense lobbying of state legislators.

States have been given a broad array of new enforcement tools as part of welfare reform. Many of these tools are starting to pay off in terms of increased collections, and further improvements are likely as the tools are fully implemented. It may be premature to expand access to these tools to other entities before the full potential by states of these tools is realized.

PROPOSAL

Any newly created programs for fatherhood should be coordinated with related state and federal programs such as child support, the TANF block grant, the Workforce Investment Act, and child welfare.

Separate funding streams in the form of competitive grant programs that are not coordinated with existing programs ought to be rejected.

EXPLANATION

With such proposals as the Fathers Count Act of 1999, the Responsible Fatherhood Act of 1999, and the Welfare-to-Work amendments that were initiated during recent sessions of Congress, a theme of "responsible fatherhood" has gained great currency among Washington lawmakers. The initiatives are

broadly designed to encourage fathers to assume greater financial responsibility and parental presence in the lives of their children and to provide work supports and services to noncustodial fathers so they may be better situated to provide for their children. Such measures are consistent with the objectives of welfare and child support reforms as they encourage self-sufficiency and responsibility and provide important resources for children and families.

PROPOSAL

Medical support recommendations should be reconsidered.

Efforts to increase medical support should consider the fact that Congress, in recent years, has placed substantial requirements on child support agencies, including further developing computer systems, establishing a centralized disbursement unit for payments, establishing case registries, developing directories of newly-hired individuals, and coordinating with financial institutions to seek child support payments.

States support working with federal partners to ensure that children receive health coverage. Recommendations to improve medical support enforcement should be developed through a broader input process from states.

EXPLANATION

In the summer of 2000, the Clinton Administration issued a report with recommendations to ensure that more children receiving child support services obtain health insurance. States support the goal of increasing the numbers of children with health care coverage. Better coordination among social service and health programs, including child support, Medicaid, and the State Children's Health Insurance Program (SCHIP), is critical to increasing coverage. States support efforts to develop solutions to the problems of uninsured children. However, many of the recommendations of the Clinton Administration report are sweeping and would change the mission and greatly increase the workload of child support agencies. While all states' child support guidelines should include an effective way to deal with the allocation of insurance costs between the parents, many of the recommendations would go beyond this and create an additional layer of bureaucracy.

The recommendations put forth by the Clinton Administration would require state IV-D agencies to look at each child support case and determine which parent has insurance, and in cases where both parents do, which insurance is better. Congress has moved the child support program in recent years toward one of greater efficiency and mass case processing as a way to increase collections. The recommendation for IV-D agencies to compare health insurance for two parents would move the program in the opposite direction toward individual case management, and would require a substantial increase in resources.

The detailed examination of health insurance coverage that would be mandated by the recommendations would stretch staff resources considerably. Comparing two types of insurance would be a new practice for many state child support programs and would be difficult. Any individual who has chosen among employee health plan options knows that deciding which insurance is "better" is not easy and can be very time consuming. Under the report's recommendations, state IV-D agencies would be required to make these decisions for every child in its caseload. Child support directors have stated that offering expertise on health insurance is beyond the capacity of their child support agencies.

The report also recommends that SCHIP and Medicaid workers be stationed in child support offices to facilitate enrollment of IV-D children in those health insurance programs. However, SCHIP agencies are subject to a 10 percent administrative and outreach cap under Title XXI, which is already overextended, and thus may be unable to assign staff for outreach purposes to child support offices.

The association is also concerned about the report's requirement that custodial parents buy insurance even if they do not want to. A custodial parent who is forced to carry insurance may elect to close her child support case, resulting in a loss of cash support for the child.

Further, the complex computer systems states have recently set up for their child support programs do not support the medical support enforcement process as recommended. Further changes would be necessary to implement the recommendations.

The staff requirements for implementing the medical support recommendations would be high. Even enhanced federal funding would not solve all states' problems. Many states have full-time equivalent (FTE) caps limiting the total number of employees in government agencies. States with FTE caps would be unable to hire adequate numbers of employees to meet new medical support requirements, even if enhanced funding were available. Further, the recommendations state that the enhanced funding "may be capped." The recommendations of the report are numerous and far-reaching, and a cap imposed by Congress could limit states' ability to expand medical support activities.

PROPOSAL

Provide Federal Guidance for Tribal Child Support Programs

EXPLANATION

APHSA supports the change of law that allows for direct funding of child support programs. However, further guidance is needed to address issues of jurisdiction. States and tribes need to know who is the lead on cases involving parents residing in different states or tribes or who move from one to the other. Further, current regulations do not indicate whether a tribe or state has priority in retaining TANF collections for individuals who have received both tribal and state TANF assistance. Without greater clarity, states could become mired in disputes about jurisdiction and could face increased lawsuits. Federal guidance should be developed in close consultation with states and tribes and should recognize agreements that states have already made with tribes.

Vision

The child support program has demonstrated increasing success in recent years. Collections have risen dramatically and states are successfully implementing the new enforcement tools of welfare reform, leading to a further increase in collections. Increased uniformity of procedures is facilitating interstate casework, and enhanced computer systems are enabling quicker collections and distribution of support.

The program, originally established to recover state and federal welfare collections, has shifted to a program of income support to families. This shift in mission should be continued but must be done in careful consideration of the effect the change will have on the financing of state child support programs.

Child Welfare

Current Program

The child welfare system serves some of our nation's most vulnerable and troubled—families in crisis and children who have been abused and neglected, children who have special medical or mental health needs, or, in some cases, children who are delinquent. For states, providing child welfare services is potentially one of the most rewarding, but most intense and demanding, jobs that government performs.

Child welfare staff perform heroic acts every day. They protect children from neglect or abuse. They place children with caring foster, adoptive families and relatives. They help to reunite families and work to keep them from falling apart.

But their capacity for heroism comes with potential heartache and tragedy. Failing to detect and address signs of maltreatment can lead to mental trauma, physical injury, or even death for a child. To fulfill this awesome responsibility requires that front-line staff be well-trained to address child maltreatment and establish permanency for children, and that the services, funding and other administrative supports are in place to meet the needs of this vulnerable population.

In 1998, state child protective services agencies received an estimated 2.8 million referrals alleging child maltreatment. An estimated 903,000 were found to be victims. As of September 1999, 568,000 children were in foster care and 118,000 children were awaiting adoption.

Public child welfare incorporates a broad array of core services:

- **Prevention/Family Support**—services to keep children and families from entering the system in the first place. Public child welfare administrators believe that children belong with their families in a safe and stable home whenever possible.
- **Early Intervention/Family Preservation**—services to address the needs of families at risk or in crisis. These programs seek to strengthen families, stabilize families, and prevent entry into the system.
- **Child Protective Services**—investigation of cases of suspected abuse and neglect and provision of treatment services.
- **Foster Care**—placement of children in out-of-home care.
- **Permanence**—determining a permanent home for a child whether it be reunification with the biological family, placement with an adoptive family or relatives, or guardianship.

Child welfare staff perform heroic acts every day. They protect children from neglect or abuse. They place children with caring foster, adoptive families and relatives. They help to reunite families and work to keep them from falling apart.

- Post-Permanency Services/After Care—services to support a permanent placement, such as reunification services, post-adoption or guardianship services, or services to children and families in kinship care arrangements.
- Independent Living—services to prepare older youths or those who are aging out of the foster care system for self-sufficiency.

It is important to recognize that the system itself encompasses more than the state public child welfare agency. The courts, as well as private agencies, are partners in providing for the safety, permanence, and well-being of children.

In addition, substance abuse, mental health, medical, and domestic violence services are all integral to serving children and families who come to the attention of the child welfare system, and public agencies must collaborate with these other service systems.

The public child welfare agency in the states, however, is where the ultimate governmental responsibility and accountability is vested regarding these outcomes, as well as the statutory and regulatory requirements that must be adhered to for gaining access to critical federal funding.

The public child welfare system had its origins in the community and at the state level. At the federal level, there is no single, comprehensive child welfare program, but rather a collection of federal programs, grants, funding streams, and legislative and regulatory requirements. With respect to programs and funding, the scope of the system is more expansive than the federal structure and commitment would indicate.

FUNDING

The federal government, through its statutory and funding authority, provides a portion of the resources that must be marshaled to provide quality services and achieve positive outcomes for children and families. The major federal funding stream is Title IV-E of the Social Security Act, established in 1980. Title IV-E Foster Care and Adoption Assistance provides matching funds to states to cover the costs of room and board for foster care; subsidize adoptions of children with special needs; train public agency staff and foster and adoptive parents; administer the program; and provide the statutory protections assured for all children (e.g., a case plan or permanency hearing). These matching funds are available only for the cost of care for low-income children (the income test is based on the former Aid to Families with Dependent Children [AFDC] or pre-welfare reform standard of July 16, 1996, and applied to the biological family). In addition to the states' share for the cost of these children, states pay 100 percent of the costs for children whose care is not eligible for federal reimbursement.

In comparatively smaller amounts, Title IV-B, Subpart 1, provides discretionary funding for child welfare services, and Subpart 2 (known as Promoting Safe and Stable Families) provides capped entitlement funding for family preservation services, family support services, reunification services, and adoption promotion and support services. The Child Abuse Prevention and Treatment Act (CAPTA) state grant program, enacted in 1974, provides minimal funding for state agencies to improve prevention, investigation, and treatment of child abuse and neglect. The Independent Living Program, recently renamed the Chafee Foster Care Independence Program, provides funding for support services, job training, housing, and other skills needed for older youths moving from foster care to independence.

In addition to Titles IV-B and IV-E, states have relied on other federal funding streams as vital resources for child welfare services. Over the years, states have used the Title IV-A Emergency Assistance (EA) Program and Title XX, the Social Services Block Grant, which has sustained substantial cuts since 1996. Under the welfare reform law, the IV-A EA program has been consolidated into TANF, but many states are using or beginning to use TANF as a funding source for child welfare, consistent with the statutory purposes of TANF (e.g., to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives). In addition, Title XIX (Medicaid) has increasingly become an important source of funding for child welfare services, particularly under targeted case management and the “rehab option.”

ADOPTION AND SAFE FAMILIES ACT

Currently, states are focused on implementing the Adoption and Safe Families Act (ASFA) of 1997, which made numerous policy changes to Titles IV-B and IV-E. It also added new state requirements directed at safety, permanence, and well-being for children in the child welfare system. One significant provision was a requirement that states file termination of parental rights petitions for children who have been in foster care for the past 15 of 22 months, unless they are with a relative, if it is not in the best interests of the child to do so, or if services have not been provided consistent with the case plan. It also required states to hold permanency hearings for children at 12 months rather than 18 months. Another provision required the U.S. Department of Health and Human Services (HHS) to submit an annual report to Congress to assess states’ performance in operating child welfare programs on a number of child welfare outcomes related to safety, permanence, and well-being. In a related action, HHS issued regulations that were effective in March 2000 that set up a new outcomes-focused federal review system for monitoring state conformance with Title IV-B and IV-E. Seventeen states will be part of the initial review in 2001. These regulations also addressed provisions of ASFA and the Multi-Ethnic Placement Act.

In addition to regulating these recently enacted statutes, HHS used this opportunity to issue and revise regulations on statutory provisions of Title IV-E that have been in effect for two decades, although no new statutory amendments have been enacted. For example, HHS now requires that relative foster homes be licensed to the same standard as nonrelative homes and forbids IV-E reimbursement to provisionally licensed homes.

States are concerned that these new requirements are inconsistent with child welfare practice and will have a detrimental effect on their ability to place children with relatives, a policy objective encouraged by Congress. Contrary to the federal perspective, APHSA believes that provisional licensing and relative licensing standards are not incongruent with child safety. States are also challenged by newly imposed timeframes for obtaining judicial determinations of reasonable efforts—mandates that APHSA maintains have no basis in statute.

Challenges

FEDERAL FINANCING STRUCTURE

The financing structure established in 1980 no longer works. Since the early 1990s, states have raised concerns that the current structure of federal child welfare funding does not adequately support the outcomes for the children and families that public child welfare agencies, Congress, the federal government, child advocates, and the public seek to achieve.

Since the early 1990s, states have raised concerns that the current structure of federal child welfare funding does not adequately support the outcomes for the children and families that public child welfare agencies, Congress, the federal government, child advocates, and the public seek to achieve.

The bulk of federal funding is disproportionately directed toward funding out-of-home care—the very part of the system that agencies are seeking to minimize to achieve greater permanence for children. At the same time, even with the creation of Title IV-B Subpart 2 in 1993, services that protect child safety and promote reunification remain underfunded by the federal government. When the Title IV-E financing structure was created almost 20 years ago, the assumption was that Title IV-B service funding would grow significantly—an assumption unfulfilled.

The reality is that Title IV-B funding has not grown commensurate with practice and service needs. Under the current financing structure, the Congressional Budget Office (CBO) expects spending on removal and placement to average nine times as much as spending on services and prevention between 1999 and 2003. Similarly, over the same period, funding for the removal and placement system will grow from \$4.8 billion to \$6.5 billion, or by 35 percent. By contrast, funding of service and prevention activities will grow by only 9 percent, from \$.57 billion to \$.62 billion.

In addition to the challenges outlined above with respect to the federal financing structure and the perverse incentives, another concern for states is the federal eligibility rules for Title IV-E. For many years, states have questioned why the federal government has demonstrated—in entitlement funding for foster care and subsidized adoption—a financial interest only for children from poor families. Furthermore, states are required to achieve the same positive outcomes for non-IV-E children and provide the federally mandated “protections,” and are at risk for losses of federal funding, regardless of whether the federal government has participated financially in that child’s case (i.e., whether the child is IV-E or non-IV-E). It is only reasonable that federal funds be provided for the care of all children in foster care. Under the welfare reform law, states are required to “look back” to old AFDC rules in effect on July 16, 1996, to determine Title IV-E eligibility. Not only is this administratively burdensome, but as the law does not allow the income standards in effect on July 16, 1996 to grow with inflation, eligibility for federal reimbursement will continue to decrease over time, resulting in a loss of federal funding to states.

States also need administrative flexibility. The new federal regulations pose implementation and practice challenges for states. New requirements on foster family licensing and judicial orders have been mandated in unrealistic timeframes and may result in unwarranted financial penalties that will further challenge states’ capacities to provide needed services for children and families. Furthermore, the licensing regulations send a mixed message that states do not support. While federal law explicitly gives preference to relatives as caretakers, the regulations raise the bar on their qualifications—beyond just those related to safety.

The Adoption and Safe Families Act places numerous new requirements on states to move more children to permanence in shortened timeframes, but provides no additional resources to support states' efforts to meet the new mandates. Furthermore, ASFA holds states accountable for achieving outcomes for children with respect to safety, permanence, and well-being, with an annual report to Congress on state-by-state performance and a new federal review system with penalties tied to outcomes. The new federal law and the prevailing focus on improving outcomes makes the need for comprehensive federal financing and programmatic and administrative changes even more imperative. In the three years since ASFA's enactment, states have demonstrated significant progress, not only because of the new law but also because of state initiatives that were in place prior to the law. These accomplishments have occurred even though the current financing structure is not supportive.

To meet current challenges, additional requirements posed by ASFA, increased expectations of state performance, and to sustain and expand the significant progress that has been made, states will require greater flexibility in using current funding or increased resources in the form of new federal investments, and an increased capacity to get the job done. APHSA does not support a block grant of child welfare funding. Rather, the association supports increased flexibility within the entitlement structure, with additional federal investments, while maintaining state accountability and the statutory protections for children.

A COMMITMENT TO IMPROVING THE QUALITY OF OUTCOMES

Many elements need to be in place to build and strengthen capacity to achieve outcomes. The examples that follow, while not exhaustive, are some of capacities that child welfare agencies need.

- A sufficient quantity and quality of a comprehensive array of services, including prevention, family preservation and support, treatment, reunification, aftercare, post-adoption, substance abuse, mental health and other services targeted to the specialized needs of individual children and families.
- A well-trained, well-supervised, competent, sufficient workforce with manageable caseloads, employing best practice approaches to working with families.
- An adequate pool of well-prepared foster and adoptive parents.
- Partnerships with private agencies that focus on performance and partnerships with the community to support the goals of the system.
- A partnership with the juvenile court system as well as adequate resources for the courts and legal staff to move cases in a timely way.

In recent years, public child welfare has increasingly focused on outcomes and achieving positive results for children and families. The 1997 changes to federal law under ASFA have heightened this attention to outcomes and accountability. The child welfare field has agreed upon safety, permanence, and well-being as desired outcomes for children in the child welfare system. The field also has emphasized increasing the number of adoptions, reunifications, and guardianships; decreasing the length of time in foster care and the length of time for achieving permanent placements; and reducing the number of children in foster care and incidence and recurrence of abuse and neglect.

To improve outcomes for children and to attain positive results, the child welfare system must have the necessary capacity to achieve those goals, i.e., enough of the appropriate resources to conduct the

The child welfare field has agreed upon safety, permanence, and well-being as desired outcomes for children in the child welfare system.

appropriate interventions and best practices that will yield results. Notable progress has been made toward achieving permanency outcomes, particularly in the adoption arena.

The number of adoptions from the public child welfare system nationwide increased from 28,000 in 1996 to 46,000 in 1999. States are moving rapidly to implement ASFA and to develop and sustain new and ongoing creative programs that seek to assure safety and permanence. In addition, a heightened focus on measuring state program outcomes, developing quality standards, and undertaking accreditation is providing child welfare agencies with new tools to assess performance and refine strategies to achieve safety and permanence for children.

Even with these substantial strides, the system lacks the full capacity for achieving outcomes. Child welfare practice has become more and more complex, with tremendous demands on the system, including challenging populations, caseloads, and resources; interstate issues; perceived conflicts between child safety and family preservation; overrepresentation of children of color; and increased expectations and requirements. In recent years, children and families who come to the attention of child welfare increasingly exhibit multiple problems that require a coordinated response from multiple public agencies and service systems outside of child welfare. One of the most dramatic changes is the magnitude of families with serious substance abuse problems. Mental illness and domestic violence are also a serious concern. These increased demands are straining agency capacity. At the same time, there is increased scrutiny by elected officials, the media, advocates, and litigators regarding the performance of public child welfare agencies, as well as new mandates and expectations resulting from ASFA. Furthermore, agencies need community support to achieve outcomes for children. Children live in communities and everyone needs to view child protection as a system of many entities, not just a single agency.

THE IMPACT OF SUBSTANCE ABUSE

Parental substance abuse is one of the most pervasive problems confronting today's child welfare system. The ASFA requirements to achieve permanence for children in out-of-home care highlight a number of issues for families involved with child welfare systems that also have alcohol and other drug abuse (AOD) problems. Changes in the delivery of treatment services are needed if the AOD treatment system is to remain relevant to families in the child welfare system. The new requirement for time-limited permanency decisions in child welfare cases points to the need for AOD treatment to show success and show it quickly. An AOD treatment episode cannot continue indefinitely. While treatment, relapse, and recovery are recognized as a lifelong process, in the new environment of permanency, parents must show measurable progress and improvement to meet the planning requirements. Delays in gaining access to treatment or making progress toward recovery will almost certainly lead to the termination of parental rights and the dissolution of families. A disservice will be done to families if the AOD and child welfare systems do not recognize and address this issue.

Parental substance abuse is one of the most pervasive problems confronting today's child welfare system.

ASFA makes it critical that child welfare and substance abuse agencies and providers collaborate to serve these families. AOD providers must provide specific information to child welfare workers so they can assess safety and risk. Child welfare agencies believe that confidentiality barriers in AOD treatment programs, required in federal law and regulation, unnecessarily put children at risk and hamper the ability to make safety and permanency decisions. Strategies to share information under

the current law are too limited to effectively address the needs of the child welfare agency to carry out its responsibilities effectively. Without appropriate information sharing regarding treatment progress, child welfare workers and the courts have inadequate or inaccurate information with which to make important decisions. The current confidentiality rules are burdensome and create barriers to essential collaboration for child welfare and substance abuse agencies.

While there are exceptions, most state and local child welfare and AOD systems function independently of one another even when administrative responsibilities for both systems are located within the same department. Some jurisdictions have made efforts to coordinate services or collaborate on cases, but the two systems predominately focus on “their” clients, either the abused and neglected child or the substance-abusing parent. Of the more than 500,000 children currently in foster care, estimates of the proportion of children in foster care whose parents need substance abuse treatment range from about 50 percent to 80 percent. Recent studies have indicated a high failure rate (75 percent) for engaging and retaining women with children in the foster care system in treatment. A study recently released by the U.S. General Accounting Office (GAO) examined the impact of parental alcohol and other drug abuse on foster care cases. The report surveyed a random sample of foster care cases in Cook County (Chicago), Illinois, and Los Angeles County, California, and found that two-thirds of all foster children in the Illinois and California samples had at least one parent who abused alcohol and other drugs. Fewer than 20 percent of the mothers in these two states, whose children had been in foster care for over one year, had either completed treatment or were in treatment at the time of the survey.

Public child welfare has been making efforts to collaborate with numerous other child-serving systems, such as mental health and substance abuse programs.

The federal policy changes that have taken place since 1996 (e.g., in ASFA, welfare reform, Medicaid, managed care) and filtered down to state and local governments have made it imperative that child welfare and AOD systems reexamine their current service practices. New technologies and a true focus on family-centered services must replace the current approaches. For the AOD treatment system this will mean redesigning services delivered to parents referred from the child welfare system. For AOD services to be relevant to the child welfare system, success rates for child welfare parents referred to treatment must improve. Beyond improved success rates, treatment progress must occur within the timeframes of the new child welfare permanency planning requirements. AOD treatment providers will also have to be more involved in the child welfare agency function of assessing child safety and risk of subsequent abuse and neglect.

Child welfare caseworkers will have to take a more aggressive, active role in accessing, planning, and tracking services for the parents they refer to AOD treatment. Caseworkers will have to become true members of an interdisciplinary team with AOD treatment providers. They will need to be active participants in all case planning decisions. The child welfare system will also have to clearly articulate its needs from the AOD system on issues such as the timely sharing of relevant information and assisting child welfare workers in assessing child safety and risk of subsequent abuse and neglect.

For both systems this means adopting a family-focused service approach and developing a comprehensive system that protects children and moves families as quickly as possible to permanence, whether that be reunification, adoption, or other options. ASFA fundamentally changes child welfare policy throughout the country. As a matter of national policy, child safety is now the paramount concern of the child welfare system over all other endeavors, including efforts to preserve or reunite families. The predominant

mandate of the act focuses on time-limited permanency decisions. Specifically, judges are required to hold a permanency hearing within 12 months of a child being placed in out-of-home care by the child welfare agency. A permanency goal for the child must be set at this hearing. States must file petitions to terminate parental rights if a child has been in foster care for 15 of 22 months unless a compelling reason is documented. Parents need to show progress toward correcting the condition that led to the removal of their child (e.g., substance abuse) or the agency or court may move to terminate parental rights.

Solutions to these problems do not focus solely on increased funding for existing services. Nevertheless, there is not the current capacity to provide the kinds of services that are appropriate for families in the child welfare services system. AOD agencies have numerous populations with a need for their services competing for access and priority.

PARTNERSHIPS WITH OTHER SERVICE SYSTEMS

Public child welfare has been making efforts to collaborate with numerous other child-serving systems, such as mental health and substance abuse programs. Partnerships between state agencies and schools of social work are needed to support an agency workforce that has the skills and capacity to provide services that yield positive outcomes. Consistent with these state and local efforts, APHSA and its affiliate, the National Association of Public Child Welfare Administrators (NAPCWA), have engaged in collaborative efforts at the national level with organizations that represent these other systems or work on those issues. Public child welfare needs to enhance (at all levels of government) its collaboration with these other systems. So many of the children and families who come to the attention of the child welfare system are touched by the knotty issues of domestic violence, substance abuse, mental health, special education, housing, and poverty. Without collaboration with other systems and access to their services, the needs of these children and families cannot be met.

APHSA and NAPCWA have recently engaged in a partnership among public child welfare, domestic violence service providers, and the juvenile courts. Domestic violence is prevalent in the current child protection caseload and may jeopardize the safety and well-being of children. Several studies have demonstrated that the presence of adult domestic violence correlates with high risk of physical abuse of children. Current CPS caseload estimates suggest that 30 percent to 50 percent of families already in the child protection system experience domestic violence. These families can enter the child protective services caseload for a number of reasons, including physical abuse of children by domestic violence perpetrators; injuries to children resulting from trying to stop an assault against their mother; and forced participation in the abuse. Additionally, some children may also be caught in the crossfire of custody battles, or may be used to monitor their mother's activities. There is debate in the states about whether definitions of child maltreatment should be broadened to include all children who witness domestic violence. Since studies suggest that many of these children fail to show elevated levels of developmental problems and significant numbers are not at risk of harm, expanding legal definitions of maltreatment may not help these children—modifying practices and policies might. Additional statutes naming domestic violence as a form of child abuse could bring millions of children and families into the child protective system, removing discretion that professionals require if they are to determine risk and design the best responses to meet the needs of children. Child protection workers will be able to protect children only if they know how to identify domestic violence; assess its nature, severity, and impacts; plan for client safety; and learn how to effectively use community services and legal protections.

NAPCWA is developing guidelines for public child welfare agencies serving children and families experiencing domestic violence, with recommendations on practice, policies, and outcomes. A partnership is needed among the states, Congress, and HHS where federal involvement could enhance state capacity in this area, building on existing laws and programs. Rather than create additional laws, Congress could best help families by allocating new resources for communities to build collaborative services and partnerships among CPS agencies, domestic violence advocacy and intervention services, child and family health and mental health providers, the police, and multiple court systems.

PUBLIC AND COMMUNITY SUPPORT FOR CHILD PROTECTION

Gaining community support of the public agency's child protection mission is critical to achieving a quality child welfare system because so many entities—public and private, institutional, informal, and individuals—must come together to protect children. While the public agency is ultimately accountable, child protection is a community responsibility.

Federal leadership is needed toward this end. The White House and HHS could convey a strong message through a national campaign focused on how individuals can participate in strengthening and supporting families. Such a campaign could also seek to make the public's perception of child protection workers more positive, communicating that it is a noble profession and deserving of involvement and support. The president and first lady could effectively communicate that child protection is everybody's business.

* * * * *

State child welfare administrators must help shape federal policy changes to other programs serving low-income children and families to ensure that adverse consequences for children and families are avoided. They must be at the table to so that such policy changes support public child welfare programs' ability to achieve improved outcomes for children and families and that related programs do not move at cross-purposes.

The only current federal support for child protective services is the Child Abuse Prevention and Treatment Act (CAPTA) state grant, which is funded at a mere \$21 million.

There is no single policy solution for strengthening system capacity to realize improved outcomes. Many changes need to be made that are the responsibility at the state and local levels. However, the needed system reform and capacity building can and should be supported by the federal government through essential policy and funding changes that support state efforts to improve outcomes for children and families served in the child welfare system.

Recommendations

In the area of funding/financing, APHSA recommends a three-pronged approach to financing child welfare services. First, the best use of current resources for child welfare services must be ensured. To do so, APHSA recommends restructuring federal financing to allow transferability or reinvestment of Title IV-E foster care funds to IV-B child welfare services. Second, the system needs additional federal financial investments. If child safety is the paramount concern in child welfare and a key outcome for children, then there must be significant new federal funding directed at ensuring child safety. The only current federal support for child protective services is the Child Abuse Prevention and Treatment Act (CAPTA) state grant, which is funded at a mere \$21 million. If permanence and well-being are truly the outcomes for the system, federal funding is not sufficient to provide the necessary services to achieve

those goals for all children. Third, child safety and permanence must be cross-cutting goals of all human service programs, and consequently, funding barriers must be removed to support them. For example, funding should cover services for families and not just the eligible child (i.e., Medicaid targeted case management). TANF and Title XX must remain fully funded. To sustain and expand the child welfare service system's progress toward achieving its mission, all three of these recommendations must work in tandem.

PROPOSAL

Maintain Title IV-E Open-Ended Entitlement While Allowing Flexibility for Reinvesting Foster Care Funding into Services; Extend the Federal Government's Commitment for Foster Care and Adoption to All Children in Out-of-Home Care, Not Just Those from AFDC-Eligible Families

Restructure federal child welfare financing to provide states with additional federal investments in services and the ability to redirect existing resources to achieve quality outcomes, and to recognize that states are statutorily required to provide services to all children regardless of current federal financial eligibility standards.

Amend Title IV-E to give states the option to redirect federal revenue for Title IV-E maintenance payments into their Title IV-B programs, thereby providing states with the flexibility to reinvest federal revenue into other child welfare services whenever foster care is reduced (i.e., transferability), while maintaining accountability for outcomes.

Eliminate income eligibility (AFDC-eligible as of July 16, 1996) as a criterion to determine who among the children placed in foster care or subsidized adoption is eligible for federally reimbursed foster care and adoption assistance under Title IV-E (i.e., "delinking"). Consequently, all such children would be eligible for Title IV-E, and in turn, Medicaid. To be cost-neutral, the federal match rates would have to be reduced if the federal government were to provide reimbursement to states for all children in foster care regardless of income. An alternate option would be to adjust the match rates in a way that is not entirely cost-neutral or to reduce the match rate in foster care but not adoption to attract incentives for adoption.

Maintain the open-ended entitlement under Title IV-E, the protections for children embodied in federal law, and accountability measures under the Child and Family Services Reviews.

EXPLANATION

Federal funding for foster care services is disproportionately directed at out-of-home care. Reduced out-of-home care is a practical result of a number of good outcomes for children—reduced lengths of stay; increased permanence (adoptions, reunifications, and guardianship); a reduction in the number of children entering care; and less restrictive settings. If states had up-front funding to reinvest foster care expenditures in the kinds of services that reduce the need for foster care, better outcomes could be achieved while allowing more efficient use of current resources.

The federal government has demonstrated, in entitlement funding for foster care and subsidized adoption, a financial interest only for children from poor families. Furthermore, states are required to achieve the same positive outcomes for non-IV-E children and provide the federally mandated "protections," and are at risk for losses of federal funding, regardless of whether the federal government has participated financially in that child's case (i.e., whether the child is IV-E or non-IV-E). It is only

reasonable that federal funds be provided for the care of all children in foster care. Under the 1996 welfare reform law, states are required to “look back” to old AFDC rules in effect on July 16, 1996, to determine Title IV-E eligibility. Not only is this administratively burdensome, but because the law does not allow the income standards in effect on July 16, 1996, to grow with inflation, eligibility for federal reimbursement will continue to decrease over time resulting in a loss of federal funding to states.

PROPOSAL

Increase Funding for Child Welfare Services; Reauthorize the Promoting Safe and Stable Families Program; and Fund Additional Investments in Other Services Consistent with Meeting the Goals of ASFA

Reauthorize Promoting Safe and Stable Families, with an increase in the funding level. Amend the definition of “significant portion” so that at least 50 percent of the funding is flexible, allowing states to make decisions on allocation of the funding amongst the four service areas based on children and family needs.

Allow Title IV-E to be used for services other than foster care maintenance payments, such as front end, reunification, or post-permanency services (i.e., after care), for children who come to the attention of the child welfare system.

Provide one-time funding for states to address the backlog of children in care who have a permanency plan and are awaiting the next step.

Provide sufficient funds for adoption incentive payments commensurate with what states have earned due to their excellent performance in increasing the number of adoptions of children from foster care. Provide funding for post-adoption services.

EXPLANATION

The capacity needs of the child welfare system far outstrip the resources that are now provided with federal funding. With states historically outspending the federal government, it is time for a more equitable state-federal partnership, especially in the area of services funded under Title IV-B. For outcomes to be fully realized for vulnerable children and families, additional investments must be directed at both the front and post-placement ends of the child welfare system. With the tremendous increases in adoptions since the passage of ASFA, post-adoption services will be critical to ensure that these adoptions remain permanent and stable, and that services are provided to address the ongoing needs of some of these children, who often have serious emotional, physical, and behavioral problems.

The Promoting Safe and Stable Families program, authorized as Title IV-B, Subpart 2, is an important, although limited, federal source of service funding. Its four components—family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services—provide vital prevention, early intervention, reunification, and post-placement services and support. In its current form, the law requires states to spend a “significant portion” of funds on each of the four service areas, which has been defined by HHS as 20 percent. This interpretation does not provide sufficient flexibility, as states may need to spend more than 20 percent of this limited pot in more than one category to adequately respond to the needs of children and families in their particular jurisdiction.

PROPOSAL

Reauthorize CAPTA and Provide Core Funding for Child Safety, Child Protective Services (CPS) Infrastructure, and Prevention

Address the overall child welfare system. CAPTA reauthorization provides an opportunity to look at the entire child welfare system. Current federal laws have contributed to the creation of a fragmented child welfare program. There needs to be a broad view of Titles IV-B and IV-E and general child welfare funding, and the CAPTA statute must be updated to reflect current situations, particularly the lack of dedicated funding for treatment and prevention. CAPTA does not provide the money states need to respond to time limits and outcomes required by ASFA and Title IV-E can not be used to support these urgent service needs.

Increase resources and restructure financing. There must be a federal commitment to put resources into child abuse and neglect prevention and treatment, and in services such as child protective service workers, home visitors, services, and training. CAPTA should be the core source of funding for the child protective services function, yet it is not. There needs to be a link between Title IV-B, Title IV-E, CAPTA, and other funding sources so there is an integrated system rather than separate service components.

Review the definition of child abuse and neglect. The CAPTA definition of child abuse and neglect needs to be reviewed and possibly revised. The definition was changed in the last reauthorization to narrow the scope of maltreatment to serious instances where there is imminent risk of harm. This definition does not comport with the recommended definition in the National Association of Public Child Welfare Administrators' (NAPCWA) *CPS Guidelines*. It is important that the definition used in the CAPTA reauthorization language does not exclude particular groups of children from being reported for child maltreatment.

Address the issue of confidentiality. Any new CAPTA statute should clarify that other state programs and individuals must share information with child welfare agencies in order for child protective service workers to make intelligent, reasoned decisions for the families they serve. Additionally, CAPTA should allow states the flexibility to hold open court hearings in abuse and neglect cases, as many states have been doing for years.

Increase the training and research budget. CAPTA should provide money to states to determine their own research agendas and to train child protective service workers providing treatment and assessment services. It should also provide funding for implementing a national research agenda.

Fund a comprehensive array of prevention services that supports child and family well-being and prevents children and families from entering the child welfare and public assistance systems. As well, there needs to be funding, coupled with a strong community response, to support those families that come to the attention of the child welfare system where there is not enough evidence to substantiate abuse and enter the system, but where the family is clearly struggling and needs intervention. There needs to be a community response to address their needs.

EXPLANATION

The Child Abuse Prevention and Treatment Act (CAPTA) is the only dedicated source of federal funding directed at the child protective services system. It is ironic that federal law asserts that child safety must be the paramount concern in all child welfare decisions and that child safety is one of the three core outcomes for the child welfare system, yet funding for the CAPTA state grant is merely \$21 million. The bulk of funding for the front end of the child welfare system rests on the states. Primary funding for child welfare programs comes from Title IV-E for out-of-home placements, and only scant funding is available for child protective services through CAPTA. Congress continues to raise concerns that states are not assuring child safety, yet it has not adequately supported the front end of the child welfare system. If child safety is truly the outcome the federal government seeks, then it must make a true commitment to the front end of the system.

PROPOSAL**Ensure Flexibility and Support for Permanency Options for Children Placed with Kin**

Amend Title IV-E to authorize federal participation in a state option to fund private guardianship or other legal permanency arrangements for children who otherwise would have remained in long-term foster care.

EXPLANATION

Best practice, as well as federal law, indicates that a safe placement with relatives is the preferred placement for children needing to be removed from their parents. Approximately, 20 percent to 23 percent of foster children are placed with relatives, although in some states (e.g., California, Illinois, and New York), this number is closer to 40 percent to 50 percent. Although many relatives are interested in adopting their kin, others are not inclined to undertake the adversarial process of terminating parental rights of their child or relative. Several states have Title IV-E waivers and others are using state-only funds to support permanent guardianship arrangements as an alternative permanency option. Initial results from the Illinois waiver show that permanency was increased, without reducing the number of adoptions.

PROPOSAL**Juvenile Courts Must Be Given Enhanced Capacity to Fulfill Their Partnership with States in Achieving Permanence for Children**

Provide dedicated federal funding for court activities and capacity to promote the safety and permanency goals of ASFA, such as reducing the backlog of children in care (i.e., those children who entered foster care prior to ASFA whose permanency goal has not been acted on).

Allow IV-E training funds to be used to train judges and court personnel.

EXPLANATION

ASFA requires shorter timeframes for permanency hearings and termination of parental rights proceedings. The juvenile and family courts currently do not have the capacity to address the backlog of children in care nor to move the new children entering the system more expeditiously to permanence. Although the federal law places numerous mandates on the courts, federal funding is not provided. The success of ASFA requires increased activities by the courts to enhance permanence and meet new timeframes. Further, state agencies are penalized if the court does not follow the mandates.

PROPOSAL

Workforce Preparation, Recruitment, and Retention is Key for Meeting Best Outcomes

Amend the Title IV-E Training statute and/or regulations to support state efforts to build and sustain a competent, skilled, and professional child welfare workforce by providing a solid and restructured federal funding stream that would support comprehensive training that includes all aspects of child welfare—child protective services and service provision, private agency providers, court personnel (including judges, court-appointed special advocates, etc.) and health providers—and is not allocated based on whether a child is Title IV-E eligible.

EXPLANATION

Congress can help assure child safety and positive outcomes for children and families by helping to create a stable, well-trained, and ample workforce. It is critical to prepare new child welfare workers adequately for this very difficult job where their day-to-day decisions affect the life and well-being of children. There is extremely high turnover among workers as well as an inadequate number of workers, which leads to high caseloads and lack of continuity that affects practice.

Federal policy only provides the 75 percent match for training funding in proportion to the number of children who are Title IV-E eligible. Workers must be trained to the same standards whether or not they are serving IV-E children. Further, this match is only available for training for activities directly related to the statutory purposes of Title IV-E. Since Title IV-E cannot be used for services or investigations, the federal training funds may not be used to train workers to provide services or make safety assessments. Workers must be skilled in these other areas as well to protect children and to meet their needs for safety, permanence, and well-being. As well, this federal match is not available for training private agency workers with whom the state has contracted to provide services. These workers are serving the same children, are acting as states' agents, and the outcomes for those children are equally as important. The current regulations and cost allocation requirements are barriers to state efforts to ensure a competent, skilled workforce critical to the goal of achieving improved outcomes.

As mentioned above, federal funding is not available to train judges or court personnel. The courts play a critical role in moving children to permanence and must be knowledgeable about the new permanency requirements. Furthermore, states are dependent on the courts meeting their statutory obligations; otherwise states are subject to penalties under the new federal review system.

PROPOSAL**Preserve and Enhance TANF and Titles XX and XIX as Critical Funding Streams for Child Welfare Services**

Ensure that TANF, Medicaid, and Title XX (the Social Services Block Grant, SSBG) remain fully viable funding sources for child welfare and maintain and increase the flexibility to allow this funding to be used for child welfare services.

EXPLANATION

Historically, states have tapped a number of federal funding streams for child welfare services outside of Titles IV-B and IV-E. TANF now includes the former Title IV-A Emergency Assistance Program that was an important source of child welfare funding. States are using TANF funds consistent with this former purpose and in other ways consistent with the purposes of TANF, such as keeping families together. States have increasingly relied on Medicaid Targeted Case Management to fund child welfare services, but there has been concern that the Health Care Financing Administration (HCFA) could limit use of this funding as it relates to services for the non-eligible parent of the eligible child. Children in the child welfare system are often there because of the problems of their parents, yet funding to assist their parents to increase their capacity to care for their children is limited. As for Title XX, this source of funds has been a vital funding stream for child welfare services, particularly CPS. According to a HHS report based on 1998 data, 37 states use SSBG funds for CPS. Approximately \$208 million of SSBG funds were spent on CPS. Ten states spent 25 percent or more of their SSBG funds on CPS, and six of these spent more than 40 percent. This funding source has been dramatically reduced over the last five years.

PROPOSAL**Expand Waivers and Increase Their Flexibility**

Make substantial modifications to the Title IV-E waiver process to allow more flexibility, a broader scope, and to foster system change, including:

- Eliminate the limited number of waivers HHS can approve;
- Eliminate approval criteria that require random assignment and control groups that limit statewide approaches;
- Eliminate the limited number of states that may conduct waivers on the same topic, such as guardianship;
- Eliminate the limited number of waivers that may be conducted by a single state;
- Enable states with the option to continue their waivers beyond five years;
- HHS should approve alternative baselines, such as the use of historical baselines based on foster care use, to calculate cost-neutrality.

EXPLANATION

Although states can apply for Title IV-E waivers, they believe the current waiver process limits innovation and is not responsive to the sense of urgency to change the child welfare system. HHS has implemented the waiver process with the reasoning that waivers are demonstrations to test and evaluate new ideas, not broad-based waivers to provide states with more flexibility to achieve system

change and to better serve children and families. States are also concerned with current policies prohibiting approval for multiple states to test similar innovations, such as subsidized guardianship; restrictive research, control groups, and random assignment requirements; cost-neutrality methodology; and limitations on statewide approaches. HHS waiver policy today is now more prescriptive and rigid than it was for the original 10 waivers. Many states have indicated they will not seek a waiver or have withdrawn applications because with the current limitations, it is not worth the effort. During the ASFA debate in 1997, states called for an expansion of the opportunity for IV-E waivers, which at that time were only available to 10 states. The law allows for 10 waivers to be approved each year for five years (fiscal years 1998–2002), theoretically enabling each state to have a waiver. In actuality, however, some states may not be able to receive a waiver because when a state receives more than one waiver, HHS counts the additional waiver(s) as one of the 10. In addition, if HHS approves fewer than 10 waivers in a year, the remaining slots are lost. While the waiver program has enabled some states to reinvest federal foster care funding in services and other activities to improve their systems and promote permanence, in its current mode of HHS implementation, it is a promise unfulfilled and will not meet states' needs for the flexibility necessary to achieve broad systems change.

PROPOSAL

Federal Child Welfare Regulations Concerning Licensing Should Be Amended to Ensure that Permanency and Family Continuity for Children Placed with Relatives is Not Abridged

HHS should withdraw the policy changes that require relatives to be licensed to the same standard as nonrelatives, and that prohibit provisional licensing. If an evaluation completed prior to or at the time of placement indicates no risk to the child's safety or other reason why the child should not be placed in the home, the state should have the option of either claiming Title IV-E for children in provisional or approved homes (1) beginning on the date of placement, or (2) retroactively to the date of placement once all eligibility criteria have been met. Until policy changes have been made, states should be held harmless for any financial disallowances associated with these provisions.

Amend the Title IV-E regulations concerning the definition of foster family home to provide states with the flexibility to establish certification standards and payment rates for kinship homes, which are separate and distinct from the licensing standards and payment rates for foster family homes. States should retain the flexibility to decide which children with relatives receive TANF and which children receive IV-E.

EXPLANATION

Federal regulations effective in March 2000 require states to have the same licensing standards for relatives as for nonrelated foster care providers, revising the long-standing regulatory definition of foster family home, although the statute had not been amended. In many states, establishing the same licensing standards for relatives and nonrelatives has not been the practice as relative homes, while safe, often cannot meet the very strict licensing standards. Under these revised regulations, Title IV-E reimbursement for relative homes that are not licensed to the same standard as nonrelative homes is prohibited. This revised definition of foster family home represents a major policy change that the states view with grave concern. The definition has been changed to interpret the statute as making no distinction between approved and licensed foster homes. States disagree with this interpretation and contend that the statute provides for flexibility that has been historically upheld. These new interpretations of the definition of family foster home could provide a financial disincentive for states to promote continuity

for children by placing them with families known to them, within or outside their kinship network. Congress and HHS have expressed in statute and policy the view that children should be placed with relatives or caregivers that are known to them, when possible. Placing children with relatives maintains a connection to family and a sense of identity and minimizes separation and attachment issues. This policy change, if finalized, will have a significant negative impact on states' efforts to promote and support kinship care.

Further, the HHS regulations do not allow homes to have a provisional licensing status, and placements of this type are also not eligible for federal reimbursement. States have concerns about this definition and the significant policy change that it makes, again revising a long-standing policy without any interceding statutory change. Procedures for licensure vary from state to state as do terminology and regulatory provisions. Some states have used a long-standing system of provisional licensure or approved homes. In many instances, provisional or emergency licensing is used to expeditiously place children with relatives and then receive IV-E funding while they are training the relatives as foster parents and completing criminal record checks. Often agencies place children in the homes of relatives immediately as they come into care and do an initial screen and provide a provisional license until a full licensing evaluation can be made. This practice enables the child to stay with the relative and reduce trauma. The proposed regulation, however, prohibits states from claiming IV-E eligibility for foster homes that are not licensed and further notes that states cannot claim IV-E funding for "approved or provisional" homes until the first day of the month when all eligibility criteria are met for that foster home. Provisional licensure does not mean that safety has not been assured. In granting provisional licenses, states run background and safety checks, make home visits, and conduct family assessments. States often use provisional licenses as an effective incentive to bring providers into compliance with licensing issues that do not risk the health or safety of the children in placement, or to address administrative issues. States do not grant provisional licenses in situations that would jeopardize a child's health or safety. A probationary license is often routinely issued to new group home facilities for a certain time period. In such situations, the facility has met all licensing requirements but must go through a trial period with children in placement before a full license is issued. The same safety assurances are in place for probationary providers as for fully licensed providers.

This proposed regulation could result in child welfare agencies having to place children initially only in licensed homes and then, at great trauma and disruption to the children, moving them again once relative homes are licensed. No statutory change warrants this change in policy. Furthermore, the regulation measures state conformity in the area of foster and adoptive parent licensing against the criteria that a state has established and maintains standards for foster family homes and child care institutions that are reasonably in accord with recommended standards of national organizations concerned with such institutions or homes. The Child Welfare League of America's standards do not preclude provisional licensing, but rather affirm states' discretion to establish the terms and conditions of their licensing procedures.

States are concerned that these new requirements may have the effect of discouraging relative placements, causing more moves for children, and delaying placements. States are committed to protecting child safety but believe that licensing and safety are not synonymous. Furthermore, states are now held accountable to federally established outcomes and performance measures related to safety. The federal government should not micromanage state practice regarding foster home licensing.

PROPOSAL

States Support an Outcomes-Based Approach to Ensuring Accountability in Full Partnership with the Federal Government

HHS should ensure that the federal child and family service review process is continually assessed to gauge its effectiveness in measuring state performance and compliance, and should seek ongoing dialogue with the states about the process and results. States should be held harmless for penalties associated with the first round of reviews should flaws in the process be uncovered.

In devising any new data reporting requirements, Congress and HHS must bring states to the table to jointly make decisions about any new data collection, and dedicated funding must be provided consistent with any new requests for data.

Congress should repeal all provision-specific penalties (i.e., MEPA and geographic barriers) and use the review system to judge state performance and compliance. Congress should not overlay new penalties upon the current review system, and should maintain state flexibility with regard to state-specific case review processes rather than mandate new prescriptive citizen foster care review processes.

EXPLANATION

States are committed to quality services for children and families and accountability for achieving outcomes. States support the outcomes-focused approach to federal child and family service reviews, and the use of both qualitative and quantitative information to judge performance. However, reviews must serve as an accurate and fair measure of state performance. National standards on which performance is determined must be based on accurate data so that the fairness of these reviews is not compromised.

This review process is very data intensive, as is the annual outcomes report that also measures state performance. It is anticipated that Congress and the federal government will seek more data from the states in the near future to expand their capacity to measure outcomes, particularly in the areas of well-being and children aging out of foster care.

Juxtaposed with this review system that is results-focused and based on overall state compliance, Congress has concomitantly imposed provision-specific penalties for noncompliance, such as substantial penalties for single case violations of the Multi-Ethnic Placement Act (MEPA) or the geographic barriers provision that are not equal to penalties for other requirements. The disjointed nature of these penalties is the wrong approach to encouraging good state practice and the cumulative effect of these penalties is significant. States should be held accountable for outcomes, not saddled with penalty upon penalty for single-case violations.

In addition, there has also been significant congressional discussion about the need for increased accountability. For example, one member of Congress has insisted that only citizen oversight of public child welfare agencies can ensure accountability. Considering that a new federal review system to assure accountability has just been launched, it would not only be untimely to overlay a new mechanism, but also untested. States use a variety of review processes. Some use judicial bodies, some use administrative bodies, some use citizens, and some use a combination thereof. The federal government should not intrude on how states choose to approach foster care review.

PROPOSAL**A National Research Agenda Must Be Developed and Pursued**

The federal government should fully consider NAPCWA's research agenda and develop a strategy, in partnership with the states, to support national research on "what works" and programs and practices that achieve improved outcomes.

EXPLANATION

Even though great strides have been made in developing and implementing best practices, the field must expand its body of knowledge to hone in on what interventions work best when and with which populations, within mandated timeframes, to yield desired results. Research, and its practical application, plays a critical role in ensuring outcomes in most professional disciplines and is needed in child welfare as well. NAPCWA, in conjunction with the National Resource Center on Child Maltreatment, conducted five regional research forums in 2000 in which child welfare administrators and researchers from their respective states participated. Participants identified research priorities in five areas—practice, program evaluation, policy, prognosis, and research synthesis—that will be finalized in early 2001.

PROPOSAL**Address Substance Abuse in Families Served by Child Welfare**

Provide new federal resources to address substance abuse within families in the child welfare system. Provide federal funding through a new child welfare–AOD partnership grant program to be administered jointly by state child welfare and AOD agencies. The focus of the grant would be on families with alcohol and drug programs who come to the attention of the child welfare system. The funding would encourage joint activities that are designed to increase the capacity of both the child welfare and alcohol and drug systems to address comprehensively the needs of these families to improve child safety, family stability, and permanence and to promote recovery from alcohol and drug programs. These funds might be used to implement a range of comprehensive individualized alcohol and drug prevention and treatment services; improve screening and assessment procedures; develop effective engagement and retention strategies; develop gender-specific treatment models that work for children and families; provide cross-system training for alcohol and drug and child welfare workers; and eliminate barriers to treatment and to child safety and permanence. A dedicated funding stream for the treatment needs of the child welfare population is necessary to foster the collaboration to make system change and to provide the capacity to serve these families to ensure the outcomes of safety, permanence, and well-being.

Amend the federal substance abuse confidentiality statute and regulations to enable child welfare agencies and the courts to obtain the information from AOD providers necessary to make permanency and safety decisions for children who are in the child welfare system. Confidentiality rules need to require sharing and redisclosure of information between the two systems, specifically to assess progress in treatment, assure safety, and make informed decisions regarding permanence.

Remove barriers to Medicaid funding to ensure that a previously eligible Medicaid family retains eligibility while their child is in foster care so that caretakers can access services that help them overcome the problems that led to the child being removed from the home.

EXPLANATION

Substance abuse is a significant factor in over one-half the child abuse and neglect cases. Unless there are enough quality substance abuse services available to engage and retain parents in treatment, while helping them progress, so they can care for their children safely and to ensure that information is shared to help agencies and courts make informed decisions about safety and permanence, the goals of ASFA cannot be met.

PROPOSAL

Mental Health Services Are Critical to Ensure Family Safety and Stability and to Meet the Needs of Vulnerable Children

Increase funding for children's mental health services so children with serious mental health needs can have access to services without having to enter the child welfare system and break up families, and children who are appropriately in foster care also can get the mental health services they need.

EXPLANATION

Many children enter the child welfare system not because of abuse and neglect but because of mental health needs. In many instances, parents of children with serious emotional disturbance are unable to gain access to treatment for their children through the mental health system. They are in the desperate position of having to relinquish custody of their children to the child welfare system because it is the only way to get needed services to their children. Not only is there the question of whether the child welfare system was meant to serve this population, but with new expedited permanency timelines, these parents could face termination of parental rights in accordance with ASFA.

PROPOSAL

Access to Special Education Services Are Critical to Meet the Needs of Vulnerable Children

The federal government must fully fund its special education entitlements and should enforce special education mandates for children in foster care.

EXPLANATION

Collaboration with the education/special education system is essential to the safety and service needs of children. Since schools and teachers have direct contact with children and their parents on a daily basis, they serve as important resources and partners for ensuring child safety and well-being. As well, many children in foster care, or those who are subsequently adopted, are in need of special education services. It is critical they have access to these services, but often there are local funding barriers that prevail.

PROPOSAL

Tribes Need Enhanced Capacity and Direct Access to Title IV-E to Address the Needs of Native American Children

Amend Title IV-E to enable tribes to have direct access to Title IV-E funding.

EXPLANATION

When the Title IV-E statute was written in 1980, tribal governments and children placed by tribal courts were not included as eligible for this open-ended federal entitlement program. Currently, tribes can only gain access to funding through agreements with state agencies. Only 50 of the 550 federally recognized tribes have been able to enter into agreements with states to provide access to at least some IV-E funds. These agreements primarily provide foster care maintenance funds only—not administrative, training, and data system funding. In only 15 of the 50 agreements do states provide tribes with IV-E administration funds, and only two of the agreements provide any IV-E training funds to tribes. None of the agreements provides funding for information systems development for tribes that are available to states under Title IV-E. Under the welfare reform act, tribes have direct access to TANE. As with TANE, a more efficient and equitable system would be to fund tribes directly through Title IV-E, enabling them increased capacity to meet outcomes for these children.

Vision

APHSA's vision for child welfare is a society where children are free from abuse and neglect, and living in safe, stable, permanent families—where children and families have needed supports and can help themselves. When children are at risk and come to the attention of the public agency, the agency can provide services and supports to them and their families to mitigate their problems and prevent them from being removed from their families and communities. When children must come into care, the agency can address children and family needs expeditiously and enable a safe reunification or, where not possible, can find an alternative permanent placement expeditiously, while assuring their well-being in the interim. It is a vision where there is a family-centered, strengths-based approach to serving families; where safety and protection of children is the shared responsibility of all parts of the human services agency and the larger community. If all parts of the human service system fulfilled their mission, the child welfare caseload could be greatly reduced.

APHSA's vision for the child welfare program is a system that has the capacity to do the above and improve outcomes for children and families and one in which the federal government and states are equal partners (along with communities) in serving all children in all parts of the system.

Medicaid and Health

Current Program

In 2000, the Medicaid program turned 35. From a modest effort intended to provide limited health insurance coverage to low-income single women and their children, it has grown and changed into a broad program offering a wide range of benefits to more than 41 million families, elderly, and disabled individuals annually. The cost to the federal government, states, and territories is more than \$170 billion (fiscal year [FY] 1998). Although the benefits and eligibility rules vary from state to state, today it is nevertheless the national health insurance “safety net” for all children living below the poverty line and for millions of elderly and disabled persons needing access to long-term care and expensive prescription drugs.

In 1997 Congress enhanced states’ ability to offer health insurance to low-income children by passing the State Children’s Health Insurance Program (SCHIP). That statute (Title XXI of the Social Security Act) provides federal support, at a higher matching rate than for Medicaid, for insurance expansions targeting children whose family income is less than 200 percent of the poverty level. The SCHIP expansions can be through the state’s traditional Medicaid program or through a separate, stand-alone SCHIP plan. The aggressive implementation of this new program has brought health care coverage to millions of formerly uninsured children all across the country.

The aging of the population, the release of promising new but expensive drugs, and recent court decisions interpreting the Americans with Disabilities Act (ADA) all have enormous cost implications for states’ Medicaid budgets. Financing care for the elderly, chronically ill, and disabled populations is thus easily the single most important issue confronting states. As states develop their budget projections for the next year or biennium, however, other pressing issues—fiscal and operational—are emerging. These include funding increased child caseloads; the coordination of eligibility and care across multiple programs, including Medicare; the updating of state information systems; and continuing federal support for state innovations that show promise of improving coverage and enhancing disease prevention and early intervention opportunities.

Over these 35 years of Medicaid, the role of the administrators of state Medicaid programs has also evolved from that of passive, regulated bill payers to active, informed purchasers demanding quality performance from provider communities. It is from this perspective that APHSA discusses the following major challenges and opportunities it sees for the future.

Challenges and Recommendations

PROPOSAL

Enhance Medicaid and Medicare Collaboration

The Medicaid and Medicare programs must have a closer working relationship to address policy and operational issues that impede effective coordination of these two major programs. A state-federal Medicaid/Medicare Technical Advisory Group might be the appropriate vehicle to foster this collaboration.

EXPLANATION

Because of the joint role of Medicaid and Medicare in funding care for dually eligible individuals, these two programs are inextricably linked. States are in the unusual position of sharing responsibility for covering persons eligible for both programs without being able to affect policy decisions that govern Medicare. It is likely that the new administration and Congress will consider major reforms in the Medicare program and it is important that federal policymakers heed state voices, as any Medicare reforms will necessarily have an impact on state Medicaid programs.

Medicaid/Medicare collaboration is essential in the prescription drug area. Currently there are 18 states with Senior Pharmacy Assistance Programs, most of them using state-only funds to subsidize their cost, and five additional states passed legislation in 2000 to provide some sort of pharmaceutical assistance for seniors. Medicare reform proposals that include prescription drug benefits will undoubtedly affect these existing programs.

As a Medicare prescription drug benefit is crafted, there should be input from state Medicaid directors and their staffs. They possess a wealth of knowledge in dealing with prescription drug programs and the political and logistical issues associated with administering these programs.

The need for better partnering between the programs goes beyond policy discussions, however, and includes such operational issues as data sharing, beneficiary education efforts, common quality goals, and claims payment coordination.

PROPOSAL

Coordinate Medicare and Medicaid-Funded Services

The federal government should support state waiver proposals to integrate care for persons eligible for both Medicaid and Medicare.

In computing the budget neutrality of such state waiver proposals, the federal government should recognize the potential cost savings not only for Medicaid but also for Medicare, SSI, and SSDI.

EXPLANATION

The lack of coordination between Medicare and Medicaid contributes to fragmentation of acute and long-term care. Individuals in long-term care settings generally have many acute care needs as well. Yet there is no coordination to address the interaction of acute and chronic needs. This lack of coordination can lead to preventable hospitalizations and higher costs for both Medicare and Medicaid.

Over the past decade, several states have been granted federal waivers to test models linking acute care and chronic care benefits into a single management structure for persons eligible for both programs. It is critical that such testing be allowed to continue and the savings in the other programs, besides Medicaid, be counted in measuring a model's effectiveness.

PROPOSAL

Support State Efforts to Comply with the Americans with Disabilities Act

The federal government should support state efforts to develop appropriate alternatives to institutional care on implementation timetables that allow for sound management, affordability, and quality.

The federal government should support state waiver proposals to integrate care for persons eligible for both Medicaid and Medicare.

The federal government should permit states to convert waivers to state plan status.

The federal housing program should partner with Medicaid and other federally assisted programs to respond to the desire of the elderly and individuals with disabilities who wish to live in their community rather than in an institution.

The federal government should partner with states and communities to address work force shortages in the long-term care field.

EXPLANATION

States are working to meet the needs of chronically ill and elderly individuals who prefer to receive care at home rather than in an institutional setting, often using section 1915(c) waiver programs to do so. The Supreme Court's 1999 decision in the *Olmstead* case, and other subsequent court decisions across the country, has served to highlight the importance of such waiver programs in meeting the requirements of Title II of the Americans with Disabilities Act (ADA). In complying with ADA, however, states must be allowed to strike a balance between providing "reasonable accommodations" to institutionalized individuals and not overburdening states' budgets or home- and community-based care infrastructures. Individuals' desire to live in the community and "age in place" also requires assistance from other federal programs beyond Medicaid, especially in the area of affordable housing options and employment training.

PROPOSAL

Examine Prescription Drug Issues

The Medicaid prescription drug provisions contained in the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) should be revised to give states more flexibility. The rebate formula with regard to generic drugs should be altered to be consistent with the provisions applicable to brand-name drugs.

States should be given the flexibility to set copayments for prescription drugs in a manner that will encourage consumer price awareness.

EXPLANATION

The cost of prescription drug coverage continues to rise for states even with the enactment of a rebate system in OBRA 90. In 1990, APHSA estimated annual Medicaid expenditures for prescription

drugs at \$3.3 billion; by FY 1998 that number had soared to \$13.5 billion. States report that this number is even higher today. This issue continues to hold the attention of public program administrators as they scramble for solutions.

The Medicaid and State Children’s Health Insurance Program (SCHIP) statutes should be amended to permit blending of public and private insurance coverage and continuity of care as children move between programs.

PROPOSAL

Facilitate Eligibility Coordination Across Programs and Promote Continuity of Care

Title XIX eligibility categories should be reviewed with the goal of collapsing the multiple mandatory categories into a few readily understood groupings.

The federal government should support enhanced funding for the design of streamlined Medicaid eligibility systems and operation of such systems.

The Medicaid and State Children’s Health Insurance Program (SCHIP) statutes should be amended to permit blending of public and private insurance coverage and continuity of care as children move between programs.

State proposals to subsidize employer-based health insurance for low-wage workers should be thoughtfully considered.

Programs to facilitate exchange and retrieval of medical information, without jeopardizing physician/patient confidentiality, should be encouraged.

EXPLANATION

At some future date the references to a “dead” law, Aid to Families with Dependent Children (AFDC), should be eliminated, in both Medicaid and the child welfare statutes, and replaced by clean, program-appropriate eligibility rules that can be easily understood and implemented. As experience with Title XXI (SCHIP), grows, changes that will improve its interface with Medicaid eligibility should be considered. Although it will be tempting to try to simplify the eligibility rules across the safety net programs—including food stamps—policymakers must be mindful of the cost implications of such changes and support thoughtful research efforts to assist state and federal governments in developing sound fiscal estimates of both program and administrative changes.

Systems modifications are also needed to support eligibility coordination among programs. Prior to 1996, most states depended on eligibility systems designed to meet cash assistance needs (AFDC, SSI) to determine Medicaid eligibility. After welfare reform, these welfare-based systems have created problems for Medicaid, often resulting in inappropriate termination of coverage or confusing, inconsistent application processes. A redesign of the state’s automated eligibility systems can do much to alleviate such problems but are often financially out of reach for the state under current federal financial participation rules.

As people move in and out of Medicaid and SCHIP, or between either program and private insurance, assuring continuity of care becomes more challenging. State proposals to assure the child or family can see the same caregiver regardless of payment source, or at a minimum that relevant medical information about that child can be readily exchanged among caregivers, needs to be encouraged.

PROPOSAL**Federal Policy Should Recognize States' Power as Public Purchasers**

Federal regulatory policies should recognize the realities of the marketplace in which Medicaid and SCHIP operate.

The federal government should avoid micromanagement that interferes with effective program operation.

Title XIX should be amended to allow states the flexibility to offer targeted benefits and appropriate cost sharing to uninsured or underinsured adults.

The federal government should join states and communities in their efforts to reduce health disparities among population groups.

EXPLANATION

Performance measurement and quality assurance activities are crucial to the success of U.S. health care programs. States can, and do, use their purchasing power to demand improvements from the health care system. Achieving these improvements requires realism, cooperation, and accountability on the part of purchasers, plans, and providers. Future federal policies need to emphasize not just the collection of data but support for efforts to use that data effectively to identify weaknesses, reward performance, and minimize the burden and expense of such efforts for all parties.

States are also concerned about the growing number of adults who lack health insurance coverage or are underinsured. Of special concern are patterns of disparity in health status that appear to be rooted in a lack of access to care.

PROPOSAL**Review HIPAA Administrative Simplification Requirements**

The U.S. Department of Health and Human Services' policies and timetables dictating Health Insurance Portability and Accountability Act (HIPAA) compliance should recognize that states purchase nontraditional services to support elderly or disabled Medicaid beneficiaries. Exempting such services from HIPAA compliance or giving states and providers more flexible timetables should be considered.

Congress should revisit the HIPAA statute to determine whether the original assumptions about the cost effectiveness are still valid, especially taking into account its impact on the Medicaid and Medicare programs.

EXPLANATION

APHSA has repeatedly urged federal support for updating automated systems that will meet the rapidly changing business functions of states. The systems problem is further complicated by the passage of the HIPAA, which dictates the adoption and implementation of new national standards for information exchange within the health care industry. APHSA fully supports that standardization. Congress and the executive branch need to recognize, however, that some of the implementation

timeframes may be unrealistic for full state compliance, since states are governed by procurement processes and legislative approvals not found in the private-industry sector.

PROPOSAL

Expand SCHIP Coverage to Include More Low-Income Children

The 10 percent cap on administrative expenditures in SCHIP should be adjusted to allow for more effective outreach as well as targeted health initiatives for all low-income children.

Eligibility definitions should be examined to consider coverage of children of low-income public employees.

EXPLANATION

The introduction of SCHIP in 1997 presented states with an opportunity to extend health care coverage to greater numbers of low-income children. States welcomed the flexibility that has allowed them to employ a variety of approaches for providing children with health insurance. Providing supports such as health insurance for low-income working families is an important role for human service agencies in a post-welfare reform era.

Because some states also allow local governments or school systems to participate in the state employee health plan, the current Title XXI statute effectively bars a significant segment of income-eligible children from participation in SCHIP.

Title XXI also limits to 10 percent the amount of the state's annual SCHIP spending for administrative expenses, outreach activities, and special health initiatives. States have found that limit very restrictive, especially with respect to outreach.

Vision

Access to appropriate health care is critical to strong, stable, self-sufficient families, disabled individuals, and seniors. Over the past 35 years the Medicaid program, and now its new partner, SCHIP, have played major roles in assuring such access, especially for those lower-income individuals and families who are not covered through an employer-sponsored insurance program. State administrators have gained extensive expertise and experience in operating health care financing programs, utilizing new tools such as waivers to test innovative service delivery systems that show promise of being both cost-effective and delivering improved care quality. In the coming years, however, states will face a substantial challenge to maintaining this access goal, given the anticipated demographic changes and the accompanying rise in demand for long-term care services, a burden that will tax the resources of both the states and their federal partner.

APHSA health care policy is rooted in three principles: equitable access to care, responsible fiscal management, and shared responsibility for meeting health care costs among the consumer, government, and the private sector (including employers). It is APHSA's vision that federal policy will continue to support and encourage state flexibility and creativity in operating these programs consistent with these three principles, even in the face of rising demand and a dynamic delivery system.