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Federal Chafee Funds and State Matched Savings Programs for Foster Youth

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Introduction

This paper provides policy and programmatic background for states considering the use of federal Chafee Foster Care Independence Program (CFCIP) funds to support matched savings accounts for foster youth.

The first section will provide an overview of the federal CFCIP (Chafee) program and the guidelines that define the parameters of allowable uses of Chafee funds. The second section will discuss whether and how states can use Chafee funds to support matched savings programs for foster youth, and will also highlight states that have experience using Chafee funds in youth IDA programs. The paper will then conclude with recommendations for states that would seek to use Chafee funds for children's savings accounts.

Summary of Findings

Chafee funds have tremendous, but largely untapped, potential to fund matched savings programs for foster youth. Although Chafee funds are granted to states from the federal government and must follow federal guidelines, states generally have wide discretion in the design and delivery of independent living programs that support foster youth transitioning into adulthood. As such, the question of whether Chafee funds can be used to support matched savings programs is largely decided state-by-state and can only be answered in the context of each state's guidelines, resources, and policy. Each state has the ability to decide whether to fund matched savings programs using Chafee funds, but few have even explored this opportunity and even fewer have incorporated matched savings programs into independent living services for foster youth

Chafee Foster Care Independence Program Overview

The purpose of CFCIP is to assist foster youth, particularly those aging out of the foster care system, in achieving self-sufficiency and independence. Created in 1999 with the passage of the Foster Care Independence Act, federal funding for CFCIP was double the previous amount of the former Independent Living Initiative. CFCIP not only provided more federal funding, but also significantly greater flexibility for state use of those funds. As defined by the Administration of Children and Families (ACF) within the Department of Health and Human Services (HHS), the federal administrator of the program, CFCIP specifically targets foster youth who "are likely to remain in foster care until 18 years of age" and/or are "aging out of the foster care system" (foster youth between 18 and 21 years of age that had formerly received foster care).[1] These foster children are often referred to as "Chafee youth." States are responsible for providing independent living services to Chafee youth through a broad range of programs. Given that CFCIP was created with flexibility in mind, states have significant discretion in providing a functional definition of a Chafee youth and determining the design and delivery of state independent living programs. Nonetheless, CFCIP did specify five general categories[2] of programs for which states may use Chafee funds:[3]

1. Programs to identify children who are likely to remain in foster care until 18 years of age and to provide them with services that assist them in obtaining a high school diploma, career exploration, vocational training, job placement and retention, daily living skills, budget and financial management skills, and preventative health education;

2. Programs to assist children who are likely to remain in foster care until 18 years of age to prepare for and enter post-secondary education and training institutions;

3. Programs that assist children who are likely to remain in foster care until 18 years of age to receive the education, training, and services necessary to obtaining employment;

4. Programs to provide personal and emotional support to children aging out of foster care through mentorship and the promotion of interactions with dedicated adults; and

5. Programs to provide financial, housing, counseling, employment, education, and other appropriate support and services to children between 18 and 21 years of age to complement their own efforts to achieve self-sufficiency and to assure that participants accept personal responsibility for the transition from adolescence to adulthood.

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1 National Foster Care Coalition, FAQs III About the Chafee Foster Care Independence Program and the Chafee Education and Training Voucher Program. (Author: 2005). P. 4. Retrieved on 3/23/07 from http://www.casey.org/NR/rdonlyres/E8E5EC9B-2C0B-496B-A165-5A55D2F793A5/457/ChafeeFAQIII1.pdf.

2 A sixth component of federal funds for foster youth, Education and Training Vouchers, was added after passage of the Promoting Safe and Stable Families Amendments in 2001 and is funded separately from CFCIP. There is some possibility that these funds ($60 million annually) could be used to support matched savings for a broader range of foster youth, although eligible uses of these funds is more restrictive than CFCIP funds.

3 National Foster Care Coalition, FAQs III About the Chafee Foster Care Independence Program and the Chafee Education and Training Voucher Program. (2005). P. 4

Federal Funding of CFCIP

Chafee funds are primarily provided to supplement, and not replace, state funding of independent living programs. A fixed amount of $140 million is annually provided to fund CFCIP and is proportionally allocated to states based on the percentage of all children in foster care within a particular state,[4] although a minimum of $500,000 is guaranteed to states regardless of the number of children in foster care in the state.[5] In order to receive funding, states must apply for it by submitting state plans to lay out what programs and services will be provided to Chafee youths. States are also required to make a 20% match on the federal funds granted and must spend the federally allotted funds within two years. The state plan must include a designation of a state agency (or agencies) that will serve as administrator of the programs.

Eligibility of Chafee Funds

Chafee funds may only be spent on programs or services that assist Chafee youth. This means either: a) foster youth "who are likely to remain in foster care until 18 years of age," or b) young adults between the ages of 18-21 who were formerly in foster care. A portion of the funds must be set aside for the latter group. Notably, CFCIP does not go further in defining what constitutes a Chafee youth and has left it up to individual states to make their own determinations.

Since there are no specific age requirements per the federal guidelines, states have the flexibility to determine their own age guidelines for services. Many state programs have developed broad interpretations of this definition of eligibility. A significant number of states have started to provide independent living services to foster youth as young as 13 to 14 years and many other states have developed guidelines that include all teens and young adults served by the foster care system at one time or another.[6] However, states do need to set aside a portion of their Chafee funds to directly serve foster youth between 18-21 years of age who have aged out of the foster care system. Also, states may use up to 30% of Chafee funds to pay for room and board for these particular foster youth.

Authorizing Matched Savings Programs with Chafee Funds

The flexible funding design of the CFCIP program allows states the freedom to develop programs they have identified as serving the needs of foster youth transitioning into adulthood. Under the federal guidelines, matched savings programs easily align with this purpose of Chafee funds and appear to be an entirely allowable state expenditure of the federal funds. The asset-building and financial independence goals of a matched savings account seem to advance the very goals spelled out in CFCIP. As such, some states (e.g., Michigan and Iowa) have recognized this opportunity and are already funding matched savings programs with Chafee funds.

Thus, the challenges of securing Chafee funds to pay for matched savings programs lie mainly at the state level, not at the federal level. These challenges vary across states and can stem from limited Chafee funding and competition from other programs, state programmatic capacity, state technical expertise, or more likely, from a combination thereof. States that are considering a matched savings program for Chafee youth need to determine whether funding is available for the matched savings program and whether the state has the technical and administrative capacity to manage the program.

4 For example, if Alabama has 10% of all foster children in the US, it would be eligible to receive up to 10% of the $140 million in Chafee funding.

5 Michelle-Marie Mendez and Frank V. Vandervort. The Foster Care Independence Act of 1999 and the Chafee Foster Care Independence Program. (University of Michigan, School of Social Work) P. 3. Retrieved on 3/26/07 from http://www.ssw.umich.edu/tpcws/articles/fcia_chafee.pdf.

6 National Foster Care Coalition, FAQs III About the Chafee Foster Care Independence Program and the Chafee Education and Training Voucher Program. (2005). P. 27.

Securing Funding at the State Level

After states have received federal Chafee funds, each state has its own mechanisms for dispersing funds to the independent living programs. All states, however, must have an agency at the state level responsible for administering and overseeing the independent living programs, and usually designate an independent living coordinator to manage the programs.[7] In some cases, independent living coordinators may have the authority to design or redesign independent living services, which can include adding a matched savings program component. In other cases, independent living coordinators must get approval from an agency in order to enact changes to independent living programs.[8] If funding is authorized and available, states have several ways in which to support matched savings programs using Chafee funds:

- Funding program administration and operating costs of a matched savings program;
- Funding the match; and/or
- Funding actual deposits/seeding of IDA accounts

As long as the matched savings program being funded primarily serves eligible Chafee youth, states can use Chafee funds to pay for the operating costs and technical assistance required to support such a program. Using Chafee funds to fund initial deposits or savings matches is also another method of supporting matched savings. For example, in Michigan, Chafee funding supports an independent living program that provides an annual stipend to Chafee youth — half of which goes to a checking account and the other half to an IDA account.[9] In addition, Chafee funds can be used to fund the match in a matched savings account for youth. However, since funding for account matches can occur when an accountholder makes an eligible withdrawal, states need to be aware of the federal requirement that Chafee funds must be spent within two years after it is allocated to the state, and to structure their matched savings programs accordingly.

Toward a Chafee Matched Savings Program

If a state is ready to fund a Chafee youth matched savings program, it will need to assess whether it has the capacity and technical expertise to effectively manage the program or whether it will need to solicit additional assistance from other agencies or private organizations. While many states directly provide independent living services to foster youth, it's also common for states to contract out some or all independent living services to private organizations such as local nonprofits. Depending on a state's situation, states may want to consider contracting with an organization or individual that has expertise with IDAs or other matched savings accounts to assist with developing and delivering such a program. Difficult programmatic questions such as where the accounts will be held, who will co-sign for underage Chafee youths, how to work with banks, what type of restrictions should be placed on the accounts, and many others will inevitably arise and will often require some level of technical assistance and expertise to address.

Although the federal Chafee funding has been available since 1999, experience with using Chafee funds for matched savings accounts is still very limited. As noted earlier, a couple of states, such as Michigan and Iowa, have taken steps to incorporate matched savings into their independent living services. In addition, other states, such as Texas and Missouri, have explored the issue, but faced significant budgetary and capacity constraints.

Funded jointly by Chafee funds and the Jim Casey Youth Opportunities Initiative, the Michigan Department of Human Services (DHS) is currently piloting a unique, state-led independent living program that includes youth IDA accounts for Chafee youth at ten sites across the state. The pilot program supports a range of activities that include youth boards, community partner boards, self-evaluation, public policy, and IDAs. DHS is the actual administrator of the youth IDA program and works with local DHS coordinators to manage the accounts. The program has had

7 The National Child Welfare Resource Center for Youth Development keeps a database of every independent living coordinator in a state: http://www.nrcys.ou.edu/yd/resources/ilcoords.php.

8 In Texas, changes in how Chafee funds are spent must be approved by the Federal Finance Division.

9 Shannon Brower, Michigan Department of Human Services.

significant success in getting Chafee youth to participate. Shannon Brower, DHS consultant and administrator of the pilot program, indicated that the great success with the program has led to the process of scaling up and taking the program statewide within a few years. Iowa, taking a much less ambitious route, provides matched savings to Chafee youth through their Aftercare and Voucher Payment program. The state provides matched savings up to $1,000 and Chafee youth may use those funds toward the purchase of a vehicle.[10]

Recommendations for Using Chafee Funds in Children Savings Accounts

There is considerable potential for state CFCIP programs to expand upon their current independent living programs to include matched savings accounts. The asset-building and financial independence opportunities that matched savings accounts provide only serves to advance the goals of CFCIP, and states should consider incorporating into their independent living programs a matched savings component for Chafee youth. Implementing a process for assessing and determining whether a state has the available resources and capacity to develop a matched savings program, preferably one that's led by or is operated in consultation or partnership with the state agency (or agencies) responsible for administering/managing Chafee funds, would be an important first step toward a state matched savings program for Chafee youth. In considering the addition of matched savings accounts to the independent living services for foster youth, states have every opportunity to explore the promise of financial independence and self-sufficiency that IDAs and other matched savings account have brought to many Americans.

10 Holli Noble, Iowa Department of Human Services.

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About CFED

Established in 1979 as the Corporation for Enterprise Development, CFED is a nonprofit organization that expands economic opportunity. We work to ensure that every person can participate in, contribute to, and benefit from the economy. We identify promising ideas; test and refine them in communities to find out what works; craft policies and products to help good ideas reach scale; and foster new markets to achieve greater economic impact. CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

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