Child Welfare Financing in the United States

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Introduction

Child welfare agencies in the United States are charged with ensuring the safety, permanency, and well-being of children who have been abused or neglected, and those deemed at risk of abuse or neglect. State child welfare agencies vary in their approaches to responding to and caring for abused and neglected children, as well as children at risk of maltreatment. There is great variation in the continuum of services provided to these vulnerable children and families, and also distinctions in how states finance their child welfare systems. Many sources of public funding are available to help support child welfare activities, making the overall approach to child welfare financing in the United States a web of federal, state, and local dollars. Understanding the ways in which state child welfare agencies fund services can help children's advocacy organizations and other nongovernmental stakeholders deepen their knowledge of the child welfare system. This brief summarizes key facts and trends regarding national, state, and local child welfare financing in an easy-to-read question and answer format. The vast majority of the information presented in this brief is based on the *2008/2010 Casey Child Welfare Financing Survey*.[1] This was the seventh iteration of a survey that has collected biennial child welfare financing data since state fiscal year (SFY) 1996, through a national survey of all state child welfare agencies. Results of the survey are published at www.childwelfarepolicy.org.

How much does the U.S. spend on child welfare services?

Based on the most recent data available, total expenditures on child welfare services in the United States were nearly $29.4 billion dollars in SFY 2010.[2] Included in this total are expenditures on the following services administered by child welfare agencies are: (1) services for children and families to prevent abuse and neglect, (2) family preservation services, (3) child protective services (intake, family assessment, investigation, and case management), (4) in-home services, (5) out-of-home placements, and (6) adoption and guardianship services and supports.

The total expenditures derive from the following sources:

- $13.6 billion from federal funds
- $12.5 billion from state funds
- $3.3 billion from local funds

As illustrated by Figure 1, nationally, federal funds comprised less than half of all dollars spent on child welfare in SFY 2010. Although the national data show that most child welfare dollars spent in SFY 2010 came from state and local dollars combined, states varied considerably in the composition of their child welfare expenditures. In some states, the majority of child welfare dollars come from federal funds, while in other states, state and/or local dollars far exceed federal dollars. Additionally, some states use a significant amount of local dollars to support child welfare services, while other states report using few or no local funds.

Several examples of this state variation are depicted in Figure 2. For specific information about your state's use of federal, state or local funds for child welfare services, please see: www.childwelfarepolicy.org.

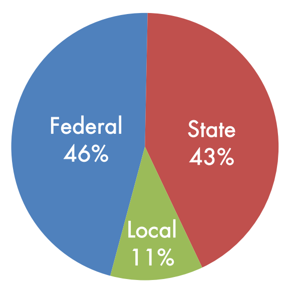


Figure 1: Federal, State, and Local Share of all Child Welfare Expenditures in the United States, SFY 2010

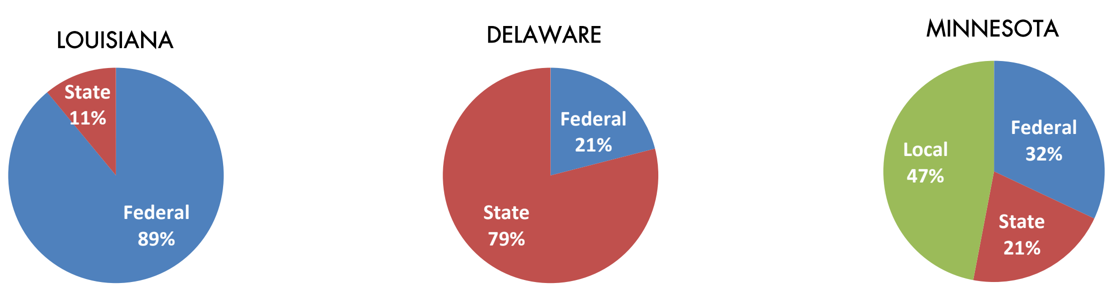


Figure 2: Federal, State, and Local Share of all Child Welfare Expenditures in Specific States, SFY 2010

What federal funding is available for child welfare services?

Federal dollars for child welfare services come from a variety of sources, some dedicated exclusively to child welfare activities, including Titles IV-B and IV-E of the Social Security Act. Other federal programs *allow* for spending on child welfare activities, but are designed for broader purposes or populations. These include the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant (SSBG), and Medicaid. These federal funding streams are often referred to as either "dedicated" or "non-dedicated" sources of child welfare funding, based on whether or not they are designed exclusively to support child welfare activities.

In addition, states may use a variety of other federal funds on child welfare activities, including those specifically targeting child maltreatment, as well as dollars from other federal grants and awards with broader scopes. Finally, states may also use federal "child income"-related funding streams for child welfare purposes, including Supplemental Security Income (SSI) and Social Security benefits, as well as U.S. Department of Veterans Affairs funds and child support dollars.

In SFY 2010, nationally, over half of the $13.6 billion in federal funds spent on child welfare came from the Title IV-E program. Figure 3 illustrates the national breakdown of federal expenditures by funding source. Although the national distribution of federal funds for SFY 2010 is illustrated here, states can vary dramatically in their use of the various federal sources for child welfare activities. To illustrate this, Figure 4 presents examples of the breakdown of federal sources for three states. Please see Appendix A for a similar graphic created for each state (whenever possible) for SFY 2010.

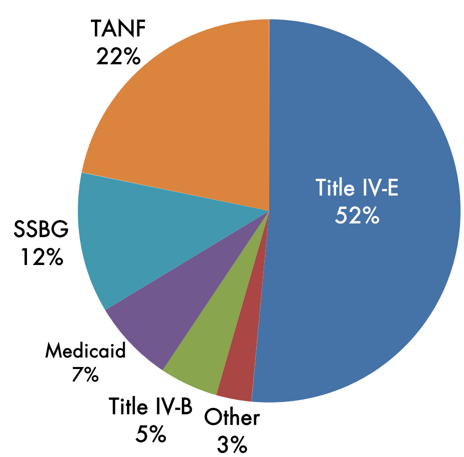


Figure 3: SFY 2010 Federal Child Welfare Spending in the United States (Total=$13.6 Billion) by Funding Source

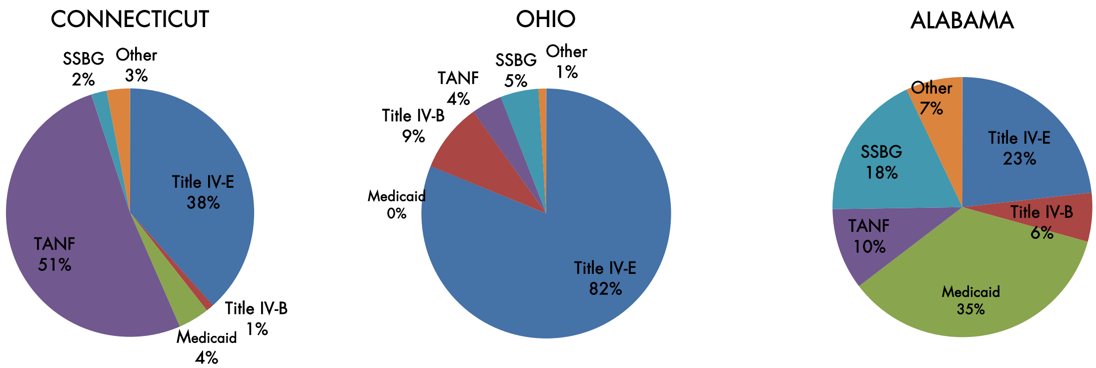
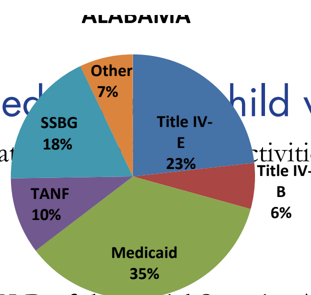


Figure 4: SFY 2010 State-Specific Federal Child Welfare Spending, by Funding Source



What are the federal funds ded hild welfare?

The principal sources of federal funds dedicat ctivities derive from Titles IV-B and IV-E of the Social Security Act.

Title IV-B of the Social Security Act

There are two major programs under Title IV-B of the Social Security Act: Subpart 1 (Stephanie Tubbs Jones Child Welfare Services) and Subpart 2 (Promoting Safe and Stable Families). The Stephanie Tubbs Jones Child Welfare Services (CWS) program is a discretionary grant program (meaning that it must go through the annual Congressional appropriations process and the amount of money allocated to the program can change from year to year) that funds a range of child welfare services. Promoting Safe and Stable Families has both capped entitlement (meaning that a state can receive federal reimbursement for every eligible expenditure, up to a certain level, or "cap") and discretionary components to primarily fund family support, family preservation, time-limited reunification, and adoption promotion activities. States have considerable flexibility with the Title IV-B program to determine the eligible populations and specific types of services supported by Title IV-B dollars, provided they adhere to the established parameters.

In SFY 2010, Title IV-B funding represented 5 percent of federal funds used by states for child welfare services. Both the Stephanie Tubbs Jones Child Welfare Services and Promoting Safe and Stable Families programs were reauthorized for five years by the Child Welfare Services Improvement and Innovation Act of 2011 (P.L. 112-34). For more information on the changes to the Title IV-B program resulting from P.L. 112-34, see U.S. Congressional Research Service, 2011.[3]

Title IV-B

Subpart 1: Stephanie Tubbs Jones Child Welfare Services Program
Eligible Population: No specific eligibility criteria (states may determine).
Eligible Services or Costs: Services and activities to prevent abuse and neglect; preserve and reunite families; promote safety, permanence, and well-being of children in foster care or adoptive placements; and maintain a qualified workforce.

Type of Funding: Discretionary; 75 percent federal share, 25 percent state share (up to total federal allotment).
Note: Additional components of Subpart 1 in SFY 2010 included funds for child welfare training, research, and demonstration, family connections grants, and a national random sample study of child welfare. However, the majority of Subpart 1 spending resides with the CWS program.

Subpart 2: Promoting Safe and Stable Families
Eligible Population: No specific eligibility criteria (states may determine).
Eligible Services or Costs: Services for family preservation, family support, time-limited reunification, and adoption promotion and support. Includes dollars set aside for the following purposes: improving caseworker visits; improving outcomes of children affected by parental abuse of methamphetamine or other substances, court improvement programs; and research, evaluation, training, and technical assistance.
Type of Funding: Capped entitlement and a discretionary component; 75 percent federal share, 25 percent state share (up to total federal allotment).

Title IV-E of the Social Security Act

The largest federal funding stream dedicated to child welfare purposes, Title IV-E of the Social Security Act, provides support to states through four main programs: (1) foster care, (2) adoption assistance, (3) guardianship assistance, and (4) the Chafee Foster Care Independence Program. With the exception of the Chafee Foster Care Independence Program, the Title IV-E programs operate as open-ended entitlements, meaning states can receive federal reimbursement for every eligible claim they submit with no cap or upper limit. Additionally, P.L. 112-34 (referenced previously) renewed Title IV-E waiver authority, authorizing the U.S. Department of Health and Human Services to approve up to 30 "demonstration projects" in states through 2014 (see U.S. Congressional Research Service, 2011). These demonstration projects are designed to promote innovation in the design and delivery of services to support the safety, permanency, and well-being of children by permitting states to claim Title IV-E dollars for services and activities outside of the program's established allowable uses. Although the previous authority to issue new waivers had expired in 2006, several states still had active demonstration projects in SFY 2010.

Title IV-E Foster Care

The Title IV-E foster care program reimburses states for expenditures in three categories: (1) maintenance payments that cover the costs of shelter, food, and clothing for eligible children; (2) foster care placement services and administrative costs related to child welfare (including Statewide Automated Child Welfare Information System costs); and (3) expenses related to training for staff and foster parents. In SFY 2010, states spent nearly $3.6 billion in Title IV-E foster care funds. This represents a decrease of 17 percent from the amount spent on the foster care program in SFY 2006. The decline observed in Title IV-E foster care program expenditures is not unexpected, given that nationally the foster care caseload has decreased over this time period. However, it is important to note that several large states had active Title IV-E demonstration waivers in SFY 2010, which comprised a significant proportion of their overall Title IV-E spending. Waiver dollars are *not* captured in the Title IV-E foster care program category, yet may be predominantly supporting activities and services that would otherwise be claimed under this program. See DeVooght et al., 2012, for a more detailed discussion of waiver expenditures.

Title IV-E Foster Care

Maintenance Payments
Eligible Population: Children in out-of-home placements who would have been considered needy in the homes from which they were removed (based on measures in place in 1996 under the Aid to Families with Dependent Children program) who entered care through a judicial determination or voluntary placement, and who are in licensed or approved placements.
Eligible Services or Costs: Room and board payments to out-of-home care providers for eligible children.
Type of Funding: Open-ended entitlement. Federal share is equal to each state's Federal Medical Assistance Percentage (FMAP) rate.

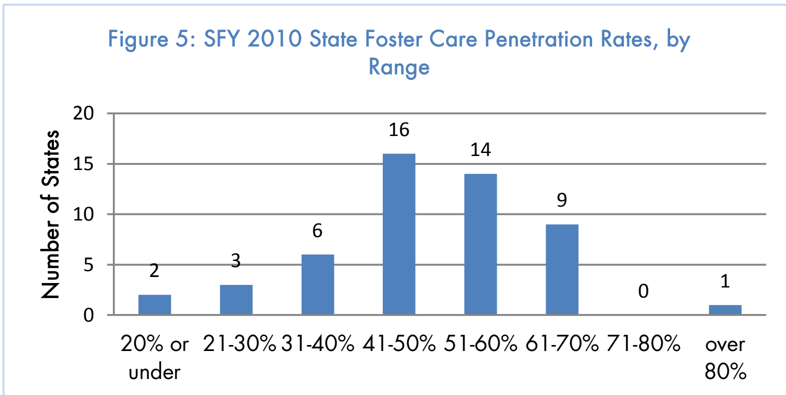
Administration and Placement
Eligible Population: Children in foster care who are IV-E eligible, children at imminent risk of entering foster care (limited time), children in foster care who are IV-E eligible except for their placement in an unlicensed relative home (limited time), children in foster care moving between IV-E ineligible and IV-E eligible placement settings (limited time), and any child in foster care (for eligibility determination activities only).
Eligible Services or Costs: Case planning, management and review (including caseworker salaries to carry out these activities), eligibility determinations, licensing, foster parent recruitment, and other overhead and administrative activities required under the IV-E program.
Type of Funding: Open-ended entitlement; 50 percent federal share, 50 percent state share.

Statewide Automated Child Welfare Information System (SACWIS)
Eligible Population: SACWIS is reimbursed at 50 percent without regard to the share of children who are IV-E eligible. However, states are not required to have a SACWIS system. States that choose not to run SACWIS programs can still claim development and operational costs at the title IV-E administrative rate, where the percentage of eligible foster care and adoption assistance children are factored into the cost allocation methodology.
Eligible Services or Costs: Design, development, installation (including cost of hardware), and ongoing operation at either the SACWIS or non-SACWIS rate.
Type of Funding: Open-ended entitlement; 50 percent federal share, 50 percent state share.

Training
Eligible Population: Public and private child welfare agency staff, prospective and current foster parents, and court personnel.
Eligible Services or Costs: Training for public and private child welfare agency staff, prospective and current foster parents, and court personnel. Generally limited to individuals working with IV-E eligible children.
Type of Funding: Open-ended entitlement; 75 percent federal share, 25 percent state share (generally).

Eligibility for Federal Title IV-E Foster Care: Understanding State "Foster Care Penetration Rates"
It is important to note that not all children in foster care are eligible for the Title IV-E foster care program. Rather, a specific set of requirements must be met in order for a state to be able to make a claim for federal reimbursement on that child's behalf (described in the box above). The percentage of children in out-of-

home placements for which a state receives Title IV-E reimbursement for foster care maintenance payments is known as the state's "foster care penetration rate." Survey data show that the national foster care penetration rate has declined over time, which is not surprising given that a qualifying child must meet eligibility requirements for the now-defunct Aid to Families with Dependent Children (AFDC) program, at 1996 levels. In SFY 2010, the national penetration rate (i.e., the percentage of children in out-of-home placements in the United States for whom Title IV-E reimbursements were paid by the federal government) was 55 percent, down from 67 percent in 2000. States show wide variation in their foster care penetration rates, with some states reporting foster care penetration rates of 30 percent or fewer while other states report rates of over 60 percent. Figure 5 illustrates this state variation.



Title IV-E Adoption Assistance

The Title IV-E Adoption Assistance Program reimburses states for expenditures in three categories: (1) adoption assistance payments on behalf of eligible children, (2) adoption placement services and administrative costs related to adoptions from foster care, and (3) expenses related to training for staff and adoptive parents.

In SFY 2010, states spent over $2.4 billion in Title IV-E Adoption Assistance funds. This represents an increase of 24 percent from the amount spent on the adoption assistance program in SFY 2006. Title IV-E expenditures for adoption assistance payments exceeded those for foster care maintenance payments in most states in SFY 2010, which is not unexpected given the decline in foster care caseloads and the growth of the adoption assistance population in recent years. Additionally, the Fostering Connections to Success and Increasing Adoptions Act of 2008 (P.L. 110-351), hereafter referred to as the Fostering Connections Act, included a provision to allow for Title IV-E eligibility for adoption assistance to be "de-linked" from the AFDC program (described in the box below), thus expanding the population of children for whom states could receive Title IV-E reimbursement for adoption assistance.

Title IV-E Adoption Assistance

Adoption Payments
Eligible Population: Children adopted from foster care who have "special needs" (as determined by the state) and who (1) would have been considered needy in the homes from which they were removed (based on measures in place in 1996 under the AFDC program), (2) are eligible for SSI, (3) are children whose cost in a foster care setting are included in the IV-E foster care maintenance payment being made on behalf of their minor parents, or (4) were eligible for IV-E adoption assistance in a previous adoption but whose adoptive parents died or their parental rights to the children were terminated. P.L. 110-351 provides that as of FFY 2018, any child determined by a state to have special needs will be eligible for recurring IV-E adoption assistance payments. The law phases in this expanded eligibility criteria beginning with federal fiscal year (FFY) 2010. For children adopted during FFY 2010, the expanded eligibility applied to children with special needs who (1) were age 16 or older when adopted, (2) had been in care for 60 continuous months, or (3) were a sibling of a child who met the age or length of stay requirement and were being placed in the same adoptive family as that sibling.
Eligible Services or Costs: Recurring payments to adoptive parents (not exceeding comparable foster care payment amounts).
Type of Funding: Open-ended entitlement. Federal share is equal to each state's FMAP rate.

Administration and Placement
Eligible Population: Children who are adopted (or about to be adopted) and who have been determined by the state to have special needs.
Eligible Services or Costs: Placement costs and other administrative activities related to adoption; recruitment of adoptive parents; and non-recurring adoption expenses, including court costs, attorney fees, and other related expenses (state may determine amount of reimbursement for non-recurring costs but total may not exceed $2,000).
Type of Funding: Open-ended entitlement; 50 percent federal share, 50 percent state share.

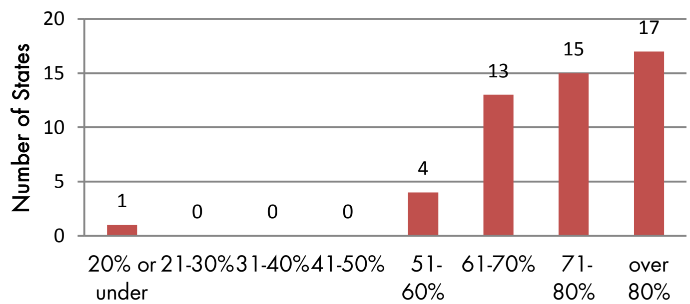
Training
Eligible Population: Public and private child welfare agency staff, prospective and current adoptive parents, and court personnel.
Eligible Services or Costs: Training for public and private child welfare agency staff, prospective and current adoptive parents, and court personnel. Generally limited to individuals working with IV-E eligible children
Type of Funding: Open-ended entitlement; 75 percent federal share, 25 percent state share (generally).

Eligibility for Federal Title IV-E Adoption Assistance: Understanding State "Adoption Penetration Rates"
Similar to the Title IV-E foster care maintenance program, an adopted child must meet certain eligibility requirements in order for a state to be able to make a claim for federal reimbursement on that child's behalf (described in the box above). The percentage of adopted children receiving subsidy payments for which a state received Title IV-E reimbursement for the payments is known as the state's "adoption penetration rate." Survey data show that the national adoption penetration rate has also declined over time, though at a more modest rate than the foster care penetration rate. In SFY 2010, the national adoption penetration rate (i.e., the percentage of children adopted from foster care in the United States receiving subsidies for whom Title IV-E

reimbursements were paid by the federal government) was 79 percent, down from 81 percent in SFY 2002. The provision in the Fostering Connections Act removing the eligibility requirement for Title IV-E adoption assistance from AFDC eligibility should impact states' penetration rates in subsequent years, as a greater proportion of children will likely qualify for federal reimbursement. For more information on the adoption assistance "de-link" and its potential impact for states, please see Miller and Boo (n.d.).[4]

States vary in their adoption penetration rates, though less dramatically than the variation in foster care penetration rates. In SFY 2010, one state reported that it received Title IV-E reimbursement for 20 percent or fewer of the children receiving adoption subsidies, while the vast majority of states reported adoption penetration rates of 61 percent or more. Figure 6 illustrates this state variation.

Figure 6. SFY 2010 State Adoption Penetration Rates, by Range



Title IV-E Guardianship Assistance

The Fostering Connections Act gave states the option to operate a Title IV-E Guardianship Assistance Program (GAP), which provides federal reimbursements for: (1) kinship guardianship assistance payments to relatives who become the legal guardians of children for whom the relatives previously served as foster parents, (2) applicable guardianship placement and administrative costs, and (3) expenses related to training for staff and guardians.

In the *2008/2010 Casey Child Welfare Financing Survey,* three states (Illinois, Michigan, and Tennessee) reported receiving reimbursement from the federal government through the Title IV-E GAP in SFY 2010. These dollars totaled almost $9.5 million. As of fall 2012, 30 states had approved Title IV-E GAP plans. Therefore, it is expected that Title IV-E guardianship claims will increase markedly in subsequent years, as more states begin to claim reimbursement for children in these placements. For a detailed description of the Title IV-E GAP program and a summary of implementation by states, see *"Making it Work: Using the Guardianship Assistance Program (GAP) to Close the Permanency Gap for Children in Foster Care*," 2012.[5]

Title IV-E Guardianship Assistance

Guardianship Payments
Eligible Population: Children exiting foster care to legal guardianships with relatives meeting the following conditions: (1) the child has been eligible for Title IV-E foster care maintenance payments while residing for at least six consecutive months in the home of the prospective relative guardian, (2) the state or tribe has determined that the permanency options of being returned home or adoption are not appropriate for the child, (3) the child demonstrates a strong attachment to the prospective guardian and the prospective guardian is committed to caring permanently for the child, and (4) for children who have attained the age of 14, the child has been consulted regarding the kinship guardianship arrangement. Beneficiaries may also be siblings of eligible children placed in the same kinship guardianship arrangement.
Eligible Services or Costs: Payments to relative guardians (not exceeding comparable foster care payment amounts).
Type of Funding: Open-ended entitlement. Federal share is equal to each state's FMAP rate.

Administration and Placement
Eligible Population: Children who are eligible for Title IV-E guardianship payments.
Eligible Services or Costs: Placement activities and other administrative activities related to guardianship; and non-recurring guardianship expenses including court costs, attorney fees, and other related expenses (state must pay full costs or at least $2,000 of cost, whichever is greater).
Type of Funding: Open-ended entitlement; 50 percent federal share, 50 percent state share.

Training
Eligible Population: Public and private child welfare agency staff, prospective and current guardians, and court personnel.
Eligible Services or Costs: Training for public and private child welfare agency staff, prospective and current guardians, and court personnel. Generally limited to individuals working with IV-E eligible children.
Type of Funding: Open-ended entitlement; 75 percent federal share, 25 percent state share (generally).

Title IV-E Chafee Foster Care Independence Program
The Chafee Foster Care Independence Program allocates funding to states under Title IV-E for expenses related to activities that prepare youth transitioning out of the foster care system (or those who have already transitioned) for self-sufficiency after leaving the agency's care. The Chafee program operates as a capped entitlement, with the education and training voucher component receiving discretionary funding. States receive Chafee dollars allocated at an amount proportional to their share of the foster care population in the United States.

Title IV-E Chafee Foster Care Independence Program/Education and Training Vouchers (ETV)

Eligible Population:
Chafee: Youth (no minimum age) who are likely to remain in foster care until age 18, youth age 18-21 who have "aged out" of foster care and youth who left foster care for adoption or guardianship at age 16 or older.
ETV: Youth eligible for Chafee services, and youth up to age 23 provided they are receiving an ETV at age 21 and are progressing toward completion of the post-secondary education or training program.

Eligible Services or Costs:
Chafee: Life skills training programs; services to improve educational outcomes, job readiness, and employment; personal and emotional supports (e.g., mentoring); substance abuse prevention; preventive health activities; and (for youth age 18-21 who are no longer in foster care) housing expenses (maximum of 30 percent of funds) and financial assistance.
ETV: Vouchers up to $5,000 per year for post-secondary education or vocational training.

Type of Funding:
Chafee: Capped entitlement.
ETV: Discretionary; 80 percent federal share, 20 percent state share.

What are the federal funds *not* dedicated to child welfare?

This section describes the primary federal sources used by states for child welfare purposes but which are considered "not dedicated" to child welfare. These include the TANF program, the SSBG, and certain child welfare services allowable under Medicaid. Each of these three federal programs, described below, allow for spending on child welfare services while also supporting other primary purposes.

Temporary Assistance for Needy Families

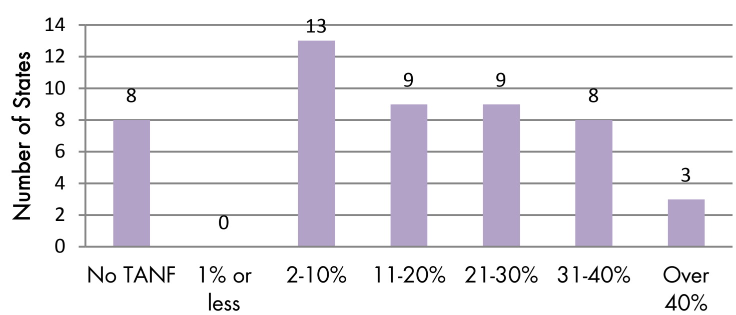
TANF is a federal block grant to states (meaning the state receives a fixed amount of dollars to spend on allowable uses rather than submitting claims for eligible individuals or expenses) that operates according to four overarching purposes, one of which is to provide assistance to needy families with children so that the children can live in their own homes or the homes of relatives. For children removed from their homes due to abuse and neglect by their parents, TANF can be used to provide financial assistance and an array of services to support children living with non-parent caregivers. Because TANF funds can be spent by states on essentially any service aimed at achieving one of the program's four goals, this funding stream offers states considerable flexibility in supporting child welfare activities. In addition, federal law allows states to use TANF dollars to cover programs and activities a state had conducted under its pre-1996 (pre-TANF) Emergency Assistance program, which could fund foster care or adoption assistance for children ineligible for Title IV-E. Federal law also permits states to transfer up to 10 percent of TANF grant funds to the SSBG program. Nationally, TANF accounted for 22 percent of all federal funds spent on child welfare in SFY 2010.

Behind these national data, however, lies great state variation in the use of TANF dollars for child welfare activities. In SFY 2010, eight states reported using no TANF dollars for child welfare activities, while three states reported that TANF dollars comprised more than 40 percent of all their federal funds spent on child welfare. Figure 7 depicts this variation.

Temporary Assistance for Needy Families

Eligible Population: Families with children in need of assistance, as determined by the state.
Eligible Services or Costs: Supports and services, including those that are related to child welfare, that meet at least one of the main purposes of the TANF program (including helping children to be cared for in their own homes or with relatives; reducing out-of-wedlock pregnancy; promoting job preparation, work, and marriage); or activities that were in the state's AFDC plan on September 30, 1995 or August 21, 1996.
Type of Funding: Capped block grant. No state share required matching, but states must meet a Maintenance of Effort requirement.

Figure 7: SFY 2010 TANF Dollars, as a Percentage of all Federal Funds Spent on Child Welfare



Social Services Block Grant

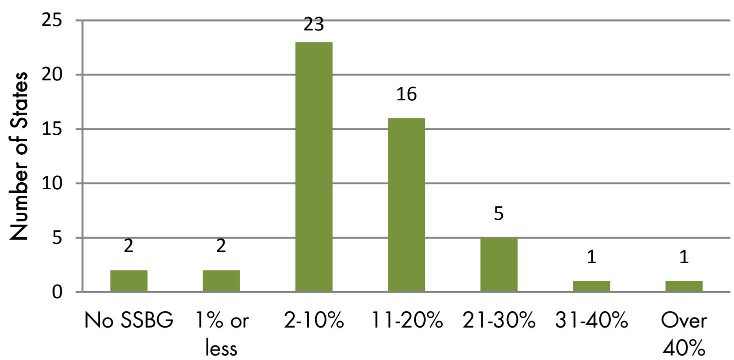
SSBG is a flexible source of federal funds provided to states in support of a diverse set of five overarching policy goals, including preventing or remedying child abuse. Federal regulations issued years ago by the U.S. Department of Health and Human Services established uniform definitions for 28 SSBG service categories (U.S. Congressional Research Service, 2012).[6] State spending of SSBG dollars is not restricted to these categories, but rather the categories serve as a guide for reporting purposes. Multiple categories are related to child welfare services, and foster care services are one of the largest areas of SSBG expenditures. Other examples of areas related to child welfare include adoptive services, case management, counseling services, home-based services, housing services, information and referral, prevention and intervention, protective services for children, special services for youth at risk, and substance abuse services. In addition to their annual SSBG allotments, states are permitted to transfer up to 10 percent of the TANF block grant to SSBG. Once funds are transferred, the dollars become available for SSBG's allowable uses. Nationally, SSBG accounted for 12 percent of all federal funds spent on child welfare in SFY 2010.

States vary widely in their use of SSBG dollars for child welfare activities, however, with two states reporting using no SSBG dollars for child welfare purposes in SFY 2010, and one state reporting that SSBG dollars comprised more than 40 percent of federal expenditures on child welfare that year, as shown in Figure 8.

Social Services Block Grant (SSBG)

Eligible Population: State-specific.
Eligible Services or Costs: Broad range of services that will meet at least one of the five purposes of the SSBG program, including prevention of abuse and neglect, child protection, and reunification.
Type of Funding: Capped entitlement. 100 percent federally funded (no state share).

Figure 8: SFY 2010 SSBG Dollars, as a Percentage of all Federal Funds Spent on Child Welfare



Medicaid
Medicaid is a federal-state health care financing program that provides health insurance to millions of low-income individuals. Children who are eligible for Title IV-E foster care, adoption, or guardianship assistance are automatically eligible for Medicaid. States have the option to extend Medicaid coverage to non-Title-IV-E eligible children, and most states do so. In addition to funding basic health care services, Medicaid can also be used to support certain activities related to child welfare, including targeted case management, rehabilitative services, Medicaid-funded therapeutic foster care, and administrative costs associated with these options.

In the *2008/2010 Casey Child Welfare Financing Survey,* states were asked to report Medicaid dollars claimed for child welfare services for which the child welfare agency paid the non-federal match, and were explicitly asked to exclude Medicaid funds used to pay for direct health services (e.g., dentists, in-patient services) for Medicaid-eligible children involved in the child welfare system. Nationally, Mediciaid accounted for 7 percent of all federal funds spent on child welfare in SFY 2010.

States' use of Medicaid dollars for child welfare varies considerably, however. Eight states reported using no Medicaid dollars for child welfare purposes in SFY 2010, while in one state Medicaid comprised 59 percent of all federal dollars spent on child welfare activities. Figure 9 illustrates the variation in states' reliance on Medicaid dollars for child welfare.

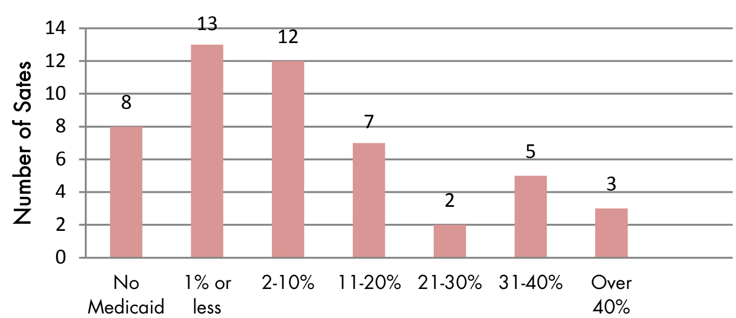
Medicaid

Eligible Population: Children who are Title IV-E eligible (whether for foster care maintenance payments, adoption assistance, or kinship guardianship assistance) are categorically eligible for Medicaid. Additional low-income and disabled children are eligible on state-specific basis but within federal mandates. States have the option to extend Medicaid to non-IV-E eligible adopted children or former foster youth age 18-21.

Eligible Services or Costs: In addition to direct health care services, Medicaid can be used to fund services related to child welfare including targeted case management, rehabilitative services, Medicaid-funded therapeutic foster care, and administrative costs associated with these options.

Type of Funding: Open-ended entitlement. Federal share and state share depend on the state's per capita income (FMAP rate).

Figure 9: SFY 2010 Medicaid Dollars, as a Percentage of all Federal Funds Spent on Child Welfare



Other Federal Child Welfare Funds
In addition to the primary sources described above, states can use a variety of other federal grants and awards for child welfare purposes. These include dollars from the Child Abuse Prevention and Treatment Act, the Children's Justice Act, the Adoption Opportunities and Adoption Incentives program, and numerous other vehicles designed for broader purposes (such as the Child Care Development Fund and the Victims of Crime Act). Also included in this "other" category are "child income"-related funding streams that states may use for child welfare purposes, including SSI, Social Security Survivors' Benefits, and Social Security Disability Benefits, U.S. Department of Veterans Affairs funds, and child support dollars. Nationally, dollars from the "other" category represented 3 percent of all federal funds spent on child welfare in SFY 2010.

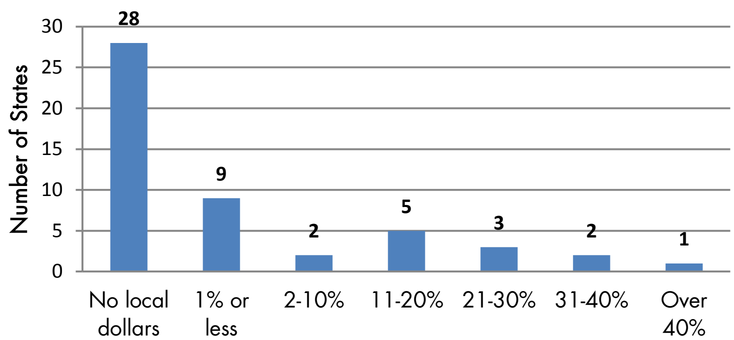
What state and local funding is available for child welfare services?

In addition to the federal sources described above, states spend their own dollars on child welfare services, both to match federal funds or to meet a required maintenance of effort for a federal program. They may also spend dollars over and above what is required to draw down the federal sources. Nationally, state funds accounted for 43 percent of all child welfare expenditures in SFY 2010 (approximately $12.5 billion).

Some states require or allow jurisdictions to fund child welfare services with local dollars. The structure of a state's child welfare system (i.e., whether the system is state-administered, county-administered and state-supervised, or another configuration) may contribute to the participation of localities in financing child welfare activities. However, some states with state-administered systems report significant local spending as well. See Appendix B for a listing of how child welfare agencies are administered in each state.

Nationally, local funds accounted for 11 percent of all child welfare expenditures in SFY 2010 (approximately $3.3 billion). However, states' reliance on local funds as a percentage of all child welfare dollars spent in SFY 2010 varied significantly, with 28 states reporting no local funds, nine states reporting that local dollars accounted for 1 percent or less of all spending, and one state reporting that local funds accounted for close to half (47 percent) of all child welfare spending that year. Figure 10 shows the distribution of states' reliance on local funds for child welfare activities in SFY 2010.

Figure 10. Percent of all Child Welfare Expenditures from Local Dollars in SFY 2010



Summary

The U.S. child welfare financing system is considered by many to be complex. This brief is designed to help advocates and interested stakeholders to better understand the many complexities of child welfare financing in their state and nationally. It provides a broad overview of the child welfare financing system in the United States, and provides clear descriptions of the financial and programmatic aspects of major public programs that support child welfare services and supports. By gaining a stronger understanding of states' unique approaches to financing child welfare services for children and families in need, advocates and others can strengthen and expand their policy advocacy capacity.

As noted in the brief, Appendix A provides a snapshot of each state's use of federal sources of child welfare funding. Additionally, readers can refer to the report from the *2008/2010 Casey Child Welfare Survey* for further information and detailed data on their state's child welfare financing system. The survey's report and online state-by-state information are available at www.childwelfarepolicy.org. Using these sources, advocates will find it easy to compare and contrast their state's child welfare financing approach to other states. In doing so, new questions emerge about the similarities and differences among states, and the reasons for changes over time.

The financial analysis provided by this brief prompts a number of important questions and considerations for advocates and others to consider, including:

- What is the total amount of funding available in my state for child welfare financing, including from federal, state, and local sources? How does my state compare to other states of similar size and characteristics? What factors contribute to the differences, to the similarities? What can be learned from other state approaches?
- What are the priority child welfare needs in my state, and what array of services needs to be funded to ensure that policy and programmatic goals can be achieved? What funding streams are available to support this array of services?
- What is the relationship between my state's current financing approach and desired outcomes for children and families?
- Who is responsible for making child welfare financing decisions in my state? Are there opportunities for advocates to reach out and engage key decision makers to ensure they have all the information they need to make financing decisions?
- What are my state's eligibility rules for each of the programs used to fund child welfare services and supports? What policies govern eligibility rules? Do they change from year to year? Are there populations not eligible for certain services of which they are in need?
- What is the optimal structure of my state's child welfare financing systems? What is the appropriate balance between federal, state, and local investments in child welfare in my state?
- What are the programmatic and financial linkages between child welfare and other public programs, including TANF, Medicaid, and the Title XX Social Services Block Grant program?

Despite recent changes to child welfare programs through federal legislation, including the Fostering Connections Act of 2008 and the Child Welfare Services Improvement and Innovation Act of 2011, criticisms of the current federal child welfare financing structure persist. These include concerns about a lack of state flexibility in the use of federal funds, lack of (or perverse) fiscal incentives contrary to the overall goals of the child welfare system, the perceived level of burden and complexity of the federal reimbursement process, inequitable distribution of federal resources across states, and insufficient levels of funding for certain programs.

By deepening their understanding of both federal and state child welfare financing issues, advocates of children and families served by the child welfare system can more effectively engage in policy deliberations regarding the availability, accessibility, and level of child welfare funding needed to support a continuum of supports and services in their state. There are many challenges to determining how to best align financing with desired outcomes, but understanding and using what is known about child welfare financing can be an important aspect of developing or strengthening policy proposals. For example, in states where advocates are interested in advancing proposals to increase the prevention of child maltreatment or the safe reunification of children with their birth families, they can consult available child welfare financing data to assess their state's current and/or prior use of programmatic funds available for prevention and reunification services. They can raise questions such as: How much overall funding is available for this purpose? How much is being utilized this year? Are there other available sources of funding? Can the state maximize its use of federal funding for these services?

While financing data is just one piece of useful information to advocates for children and families, understanding how a state's funding decisions relates to the availability of supports and services and/or desired outcomes is powerful knowledge for advocates to have. These are the kinds of questions that policy makers and advocates will need to explore as they consider reforms and other changes to the child welfare system.

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[1] The *2008/2010 Casey Child Welfare Financing Survey* was conducted by Child Trends with support from the Annie E. Casey Foundation and Casey Family Programs. Please see DeVooght, K., Fletcher, M., Vaughn, B, & Cooper, H. (2012), *Federal, State, and Local Spending to Address Child Abuse and Neglect in SFYs 2008 and 2010.* Child Trends, Washington, DC, for a detailed summary of the survey's results. The report also includes tables with state-specific child welfare financing data for SFYs 2008 and 2010 in the Appendices. The full report can be accessed here: http://www.childtrends.org/Files//Child_Trends-2012_06_20_FR_CaseyCWFinancing.pdf.

[2] Please see DeVooght et al. (2012) (cited above) for important methodological notes about the data shared in this brief (such as the states excluded/included in various calculations). Also, it should be noted that the SFY 2010 data presented here include the additional federal reimbursements states received that year due to the temporary increase to the Federal Medical Assistance Percentage (FMAP) rate as a result of the American Recovery and Reinvestment Act (ARRA) of 2009.

[3] U.S. Congressional Research Service (2011). *Child Welfare: The Child and Family Services Improvement and Innovation Act (P.L. 112-34)*, October 5, 2011, by Emilie Stoltzfus. Washington, DC. Available at http://aaicama.org/cms/federal-docs/CRS_PL_112_34.pdf.

[4] Miller, Jennifer & Boo, Mary (n.d.). *De-Linking Provision will Result in New Child Welfare Funds.* Available at http://www.fosteringconnections.org/tools/assets/files/De-Linking-Provision-Summary.pdf.

[5] *Making it Work: Using the Guardianship Assistance Program (GAP) to Close the Permanency Gap for Children in Foster Care* (2012), a collaborative project of the Children's Defense Fund, Child Trends, American Bar Association Center on Children and the Law, Casey Family Programs, Child Focus, and Generations United. Available at http://www.childrensdefense.org/child-research-data-publications/data/making-it-work-using-the.pdf.

[6] U.S. Congressional Research Service (2012). *Social Services Block Grant: Background and Funding*, May 8, 2012, by Karen Lynch. Washington, DC.