

# Child Welfare Financing 101

Child welfare financing is an essential building block to the personal stories you will read below and throughout this brief. Without an adequate source of funding that can be used to effectively meet the needs of children and families, child welfare agencies cannot keep families together, reunite children with their families, or support new families formed through adoption or guardianship.

*A child welfare agency receives a report that Mary's son, Sam, has been absent from school for four days. Upon contacting Mary, the agency learns that she is living in a shelter with Sam due to domestic violence. With resources for preventive services, the agency helps Mary find an apartment, get Sam back to school, and obtain protection from her husband. Sam remains safely with his mother.*

This report explores the basics of funding for child welfare services with descriptions of the various funding streams that agencies can use to serve children and families. Child welfare funding is a mix of federal, state, and local dollars, with the exact proportions varying from state to state and county to county.

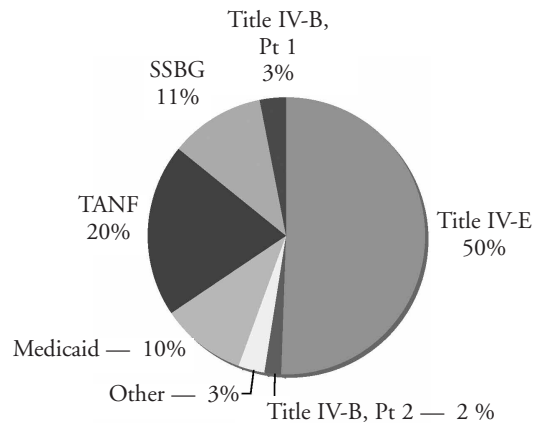
In 2004, states spent a total of at least \$23.3 billion dollars on child welfare services. Of that amount, \$11.7 billion were federal funds, \$9.1 billion were state funds, and \$2.5 billion were local funds.<sup>1</sup>

## The Basics: Federal Dollars for Child Welfare Services

Federal dollars for child welfare services fall into two categories: those dedicated to child welfare and those that can be used for child welfare but are not dedicated solely for child welfare purposes.

The principal federal sources of dedicated child welfare funding are Title IV-B and Title IV-E of the Social Security Act. The principal federal sources of non-dedicated child welfare funding are Medicaid, Temporary Assistance for Needy Children (TANF), and the Social Service Block Grant (see Figure 1 below).

**Figure 1:**  
*Proportion of Federal Funding by Source FY 2004<sup>ii</sup>*



*Table 1a: Title IV-B Funding*

	<b>Eligible Population</b>	<b>Eligible Services</b>	<b>How Funded</b>	<b>Limitations</b>
<p><b>Subpart 1: Child welfare services</b></p> <p><b>FY 2006 Appropriation: \$286.7 million</b></p>	No eligibility criteria	<p>Funds a broad array of activities to: protect and promote the welfare of all children; prevent neglect, abuse or exploitation of children; support at-risk families through services that allow children to remain with their families or return to their families in a timely manner; promote the safety, permanence, and well-being of children in foster care and adoptive families; and provide training, professional development, and support to ensure a well-qualified workforce.</p>	<p><i>Discretionary</i></p> <p>In 2006, this funding was changed from a permanent authorization to a five-year authorization. The most recent law authorizes \$325 million for each of the federal fiscal years (FY) 2007 through 2011.</p> <p>Each state's share is determined by the state's relative share of population under age 21 and the state's per capita average income. There is a minimum allotment of \$70,000 for each state.</p> <p><i>Federal match: 75%</i></p>	<p>Program is not funded at the full level of authorized funding.</p> <p>Program funding for services is a small percentage of total child welfare funding.</p>
<p><b>Subpart 2: Promoting Safe and Stable Families (PSSF)</b></p> <p><b>FY 2006 Appropriation: \$454 million</b></p>	No eligibility criteria	<p>Provides funds for four categories of services: family preservation, family support, time-limited reunification, and adoption promotion and support. Also provides funds for competitive grants to improve outcomes for children affected by substance abuse. Provides funds for a four-year-period to states to support monthly caseworker visits.</p> <p>It is suggested that states spend 20 percent of funds on adoption promotion and support.</p>	<p><i>Mandatory—capped funding PLUS discretionary funding.</i></p> <p>The law authorizes the program for FY 2007 through FY 2011. Title IV-B, subpart 2, mandatory funds are reauthorized at \$345 million and discretionary funds at \$200 million.</p> <p>Set-asides or allotments are made for tribes, territories, court improvement, and research and evaluation.</p> <p>Each state's share is determined by the state's relative share of children receiving food stamps.</p> <p><i>Federal match: 75%.</i></p>	<p>Program is not funded at the full level of authorized funding.</p> <p>Program funding for services is a small percentage of total child welfare funding.</p>

### *Dedicated federal child welfare funding*

Title IV-B has two parts: Subpart 1 provides funding for a broad range of child welfare services, and Subpart 2 (the Promoting Safe and Stable Families program) provides funding for specific types of services. Title IV-E provides funds for three key child welfare areas—foster care, adoption assistance, and services for youth preparing to leave foster care—plus administration costs and training.

Tables 1a and 1b (see pages 2 and 4) provide information on each component of Title IV-B and Title IV-E. They also show the percentage of program costs that are covered with federal dollars (known as the federal match). The remaining costs must be covered with state and/or local dollars.

Over time, the gap between the funds provided for services through Title IV-B, Subparts 1 and 2 and the funds provided for foster care and adoption assistance through Title IV-E has widened. Figure 2 (below) shows the differences in the funding levels for Title IV-B and Title IV-E over the last 10 years.

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*Jamal's grandmother, Ms. Johnson, has cared for him since he entered foster care two years ago. Jamal's mother has serious, unresolved substance abuse problems. With funds to support kinship caregivers, the agency has provided Ms. Johnson with financial support to enable her to assume full guardianship of Jamal. Funds are also used to help Ms. Johnson get the tutoring services that Jamal needs to succeed in school.*

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### *Non-dedicated federal funding for child welfare*

Three non-dedicated federal funding streams are particularly important in meeting the needs of children and families served by child welfare agencies: Medicaid, TANF, and the Social Services Block Grant. Table 2 (see page 6) describes each of these funding sources.

Although these funding sources have been used to provide services for children and families served by child welfare agencies, the availability of non-dedicated funds for child welfare purposes is in no way guaranteed and is subject to changing federal, state and local priorities. For example, access to TANF funds for child welfare purposes is subject to change with each reauthorization of the program. Similarly, changes made in 2005 to the definition of Medicaid targeted case management has limited the availability of Medicaid funding for services to children in

foster care. As a result, states must find other state or local sources to support the services needed for many children in foster care.

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*Miguel and Anita entered foster care three months ago because their mother, Maria, who suffers from depression, had failed to buy groceries, keep the home clean, or pay her electric bills. The agency referred Maria to a therapist who has placed her on medication and, with funds for reunification services, has assigned a parent aide to work with Maria as Miguel and Anita transition back home.*

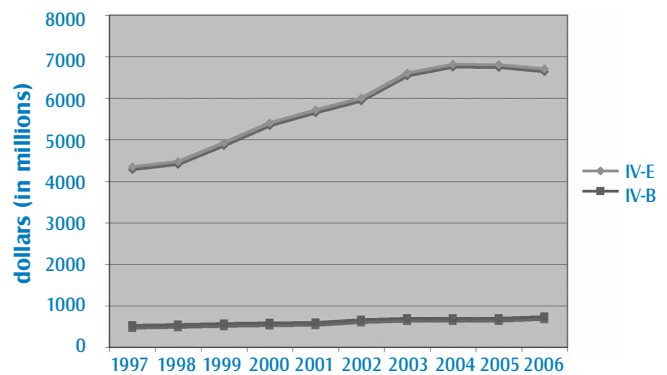
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Relying on non-dedicated funding means that child welfare systems must compete with other budget priorities for the same funds, pitting programs and systems against one another for a limited pool of money. There are no guarantees that child welfare will receive funding at levels that were received in the past, particularly when states face budget shortfalls.

### *Funding for tribal child welfare systems*

Tribal child welfare systems are disadvantaged by the way that federal funding is provided for child welfare services. Approximately 6,500 Native American children are in foster care across the United States, most under the jurisdiction of tribal courts.<sup>iv</sup> Native American tribes that administer their own child welfare systems, however, are not eligible for Title IV-E funds unless they have a cooperative agreement with the states.<sup>v</sup> As a result, tribes must depend on the states' willingness to pass along federal funding, and that willingness varies from state to state. In addition, tribes may not receive SSBG funds directly from the federal government; they are able to access these funds only through a competitive application process to the states.<sup>vi</sup>

*Figure 2: Title IV-B and IV-E Funding, 1997–2006<sup>iii</sup>*



*Table 1b: Title IV-E Funding*

	<b>Eligible Population</b>	<b>Eligible Services</b>	<b>How Funded</b>	<b>Limitations</b>
<b>Foster Care</b>  FY 2005: \$2.08 billion	Certain children who would have been eligible for AFDC program, for whom the required court orders are obtained, and who are placed in eligible homes or facilities.	Payments are made to foster care providers to cover basic maintenance, including children’s food and shelter and parental visits, and case planning. Funds may not be used for direct social work services.	<i>Open-ended entitlement:</i> As much money as is required to pay all eligible claims  <i>Federal match:</i> Equal to the Medicaid match rate; rates range from 50% to 83%	Support is not provided for children whose birth parents do not meet income eligibility requirements based on 1996 eligibility for AFDC.  Direct support is not provided to children in the care of tribes, unless the tribe has a contract with its state.  Support is not provided for children who leave foster care to return to parents or who are in permanent guardianship with relatives.
<b>Adoption Assistance</b>  FY 2005: \$1.39 billion	Children with “special needs” who are eligible for Title IV-E foster care or SSI (Supplemental Security Income)	Payments to adoptive parents on behalf of children with special needs whom they adopt; not to exceed comparable foster care payment rates	<i>Open-ended entitlement:</i> As much money as is required to pay all eligible claims.  <i>Federal match:</i> Equal to the Medicaid match rate; rates range from 50% to 83%	In addition to the same limitations as foster care (listed above):  Each state sets its own definition of “special needs.”  In some states, children adopted from foster care who are not eligible for IV-E do not receive the same benefits as IV-E-eligible children.  Does not fund post-adoption services.
<b>Chafee Foster Care Independence</b>  FY2005: Chafee— \$140 million ETVs— \$46.6 million	Youth (no minimum age) who are likely to remain in foster care until age 18; youth age 18 to 21 who “aged out” of foster care	Funds basic living skills training, education, employment initiatives, housing, substance abuse prevention, and preventive health activities.  In addition, eligible youth and youth adopted from foster care after age 16 may receive Education and Training Vouchers.	<i>Mandatory—capped:</i> Authorized at \$140 million  No more than 30% of the funds may be used for housing youth ages 18 to 20  <i>Federal match:</i> 80%	In some states, youth who achieve permanence through return home, guardianship, or adoption are not eligible for program services.  Education and Training Vouchers are available only to youth in independence programs and to youth adopted at age 16 or older.
<b>Administration</b>  FY 2005: Foster Care— \$2.2 billion  Adoption— \$282 million	n/a	Expenses associated with Title IV-E eligible children in foster care and proportional administrative expenses for the foster care program, and children eligible for Title IV-E adoption assistance  Foster care: Certain pre-placement services, placement services, case management, eligibility determinations, licensing, foster care recruitment, and other administrative activities, including training of non-public agency staff  Adoption assistance: Child placement and other administrative activities.	<i>Open-ended entitlement:</i> As much money as is required to pay all eligible claims  <i>Federal match:</i> 50%	Reimbursement is limited to the proportion of expenditures incurred for children who are IV-E eligible.  States may not claim federal reimbursement for administrative costs for the care of children who are placed with relatives who are not licensed foster parents.
<b>Training</b>  FY2005: Foster Care— \$235.9 million  Adoption— \$32.2 million	n/a	Costs of training proportional to children eligible for Title IV-E (foster care and adoption assistance)  Training of public agency staff and foster and adoptive parents	<i>Open-ended entitlement:</i> As much money as is required to pay all eligible claims  <i>Federal match:</i> 75%	Funds may not be used for training private child welfare agency staff, CASAs, or children’s legal representatives.  Funds cannot be used for training purposes for non-IV-E-eligible children.



## *The Basics: State and Local Funding for Child Welfare*

State and local funding plays two roles in child welfare:

- State and local dollars “match” federal dollars available through different federal funding streams and help fund child welfare services.
- State and local dollars are used to pay for child welfare services that federal dollars do not cover or cover at insufficient levels.

How these dollars are spent varies significantly from state to state. A number of factors influence the use of state and local funding on child welfare, including:

- Whether child welfare is state-administered (that is, the state has primary responsibility for the implementation of child welfare services) or county-administered (that is, each county has primary responsibility for its own child welfare system)
- State statutory requirements that direct how dollars are spent on child welfare
- Lawsuits that result in settlement agreements or court orders that direct the state or locality to use funds for child welfare services in certain ways
- Improvements required by states’ Performance Improvement Plans, which are developed by states after their federal Child and Family Service Review has identified areas needing improvement
- State-specific experiences with regard to decreasing levels of federal support for child welfare services
- The changing needs of children and families, which may require more expensive services and interventions

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*Bob and Sandy adopted 14-year-old Kyle who continues to struggle with the impact of the abuse he experienced at the hands of his stepfather. With funds for post-adoption services, the agency has helped Bob and Sandy find a therapist who is experienced in working with traumatized adolescents. The agency also hosts a support group of adopted adolescents for Kyle and a group for adoptive parents that is helping Bob and Sandy understand and meet Kyle’s needs.*

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## *The Need for Flexible Federal Child Welfare Funding*

Currently, the federal programs that give states the greatest flexibility in how they spend money on services for children and families—Title IV-B programs—are the least well funded and are subject to discretionary appropriations. The federal programs that most constrict states’ spending—Title IV-E programs—are open-ended entitlements.

The constraints posed by the current system have led to calls for a new federal child welfare financing structure that protects children, families, and child welfare agencies by maintaining foster care and adoption assistance payments as entitlements but which also gives states increased flexibility in how they use federal dollars.

Over the past 12 years, such flexibility—achieved through Title IV-E waivers—have resulted in positive outcomes. Beginning in 1994 in an effort to promote innovation in child welfare, states were able to obtain five-year waivers for the flexible use of Title IV-E foster care dollars. Under waivers, states provided a range of programs and services, including intensive preventive services, substance abuse services for parents, subsidized guardianships, and post-adoption services. As of March 31, 2006, however, the waiver authority expired.

### *Title IV-E Demonstration Waivers: Indiana’s Program<sup>vii</sup>*

Ninety of Indiana’s 92 counties received “flexible funding slots” and used the waiver to build local capacity to provide community-based services and home-based placement alternatives to more restrictive institutional placements. Children in foster care or at risk of out-of-home placement who were assigned to these slots could receive any type of service to prevent out-of-home placement or to promote family reunification.

An independent evaluation of the waiver demonstration project found that in the 25 counties most actively engaged in the project, when compared to children who did not have access to flexible funding, children enrolled in the demonstration:

- were more likely to receive family preservation services, individual counseling, respite care, childcare, and basic household assistance, *and*
- were more likely to avoid foster care placement or, for those already in placement, more likely to be reunited with parents.

*Table 2: Non-Dedicated Child Welfare Funding*

	<b>Description</b>	<b>How Funded</b>	<b>Use for Child Welfare Purposes</b>	<b>Limitations</b>
<b>Medicaid</b>	<p>Provides health care services to eligible children under certain conditions. Children in foster care and children with adoption assistance agreements are eligible for Medicaid.</p> <p>States are required to provide some services and others are optional.</p> <p>Key child welfare services:</p> <ul style="list-style-type: none"> <li>• EPSDT: Early and Periodic Screening, Diagnosis and Treatment (mandatory)</li> <li>• Targeted case management (optional)</li> <li>• Rehabilitation services (optional)</li> </ul>	<p><i>Open-ended entitlement</i></p> <p><i>Federal match:</i> Based primarily on the state's per capita income; ranges from 50% to 83%.</p>	<p>Varies by state; ranges from 0% to 55%</p>	<p>In recent years, targeted case management services for children in foster care have been more limited. (Targeted case management has been used to ensure that all children in foster care have access to the full range of services needed to ensure their health and well-being.)</p>
<b>TANF</b>	<p>Provides assistance to needy families so that children may be cared for in their own homes or in the homes of relatives. If states formerly used Emergency Assistance funds for foster care, states can use TANF funds for this purpose.</p>	<p><i>Mandated funding; block grant</i></p> <p>No state match but states are required to meet Maintenance of Effort requirement</p>	<p>Varies by state; ranges from 0% to 50%</p>	<p>Access to funds for child welfare purposes is subject to change with each reauthorization of the program.</p> <p>Child welfare must compete with other issues for funding, pitting programs and systems against one another for a limited pool of money.</p>
<b>Social Services Block Grant</b>	<p>Can be used for a range of purposes, including child care, child welfare, and services for the elderly. One purpose of the block grant is to provide services to prevent or remedy "neglect, abuse, or exploitation of children and adults unable to protect their own interests or preserving, rehabilitating, or reuniting families."</p>	<p><i>Mandatory, capped entitlement</i> subject to the Congressional appropriations process.</p>	<p>Varies by state; ranges from 0% to 34%</p>	<p>Program has never been fully funded and appropriations fall well below the authorization amount.</p> <p>Historically, SSBG is very vulnerable to funding cuts.</p> <p>Child welfare must compete with other issues for funding, pitting programs and systems against one another for a limited pool of money.</p>

## Conclusion

Funding is critical to the ability of child welfare systems to provide children and families with timely, necessary services and supports and to achieve the best possible outcomes for children and families. Flexible, dedicated federal funding for child welfare is needed to allow states to use federal dollars in ways that effectively meet the needs of children and families in their communities.

With flexible, dedicated dollars for a range of services—from family support services to keep children with their families through post-foster care services to support children and families, children like Sam, Miguel, Anita, Jamal, and Kyle will grow up in safe, nurturing families. By combining flexibility with stable federal funding over time and ensuring sufficient levels of resources, a continuum of services can support children and families to their benefit and the benefit of society.

## Notes

- i Scarcella, C.A., Bess, R., Zielewski, E.H., & Geen, R. (2006). *The cost of protecting vulnerable children V: Understanding state variation in child welfare financing*. Washington, DC: The Urban Institute
- ii Scarcella, C.A., Bess, R., Zielewski, E.H., & Geen, R. (2006). *The cost of protecting vulnerable children V: Understanding state variation in child welfare financing*. Washington, DC: The Urban Institute.
- iii U.S. House of Representatives, Committee on Ways and Means. (2006). *The 2004 Green Book: Table 11-2—Federal funding to states for child welfare activities under titles IV-B and IV-E of the Social Security Act, 1995–2008*. Washington, DC: Government Printing Office.  
  
U.S. Department of Health and Human Services. (2007). *FY 2007 Congressional justification: Mandatory programs, Promoting Safe and Stable Families; Discretionary programs, children and families program; Mandatory programs, foster care and adoption assistance*. [Online]. Available: <http://www.acf.hhs.gov/programs/olab/budget> [Retrieved 2/7/07].
- iv Christian, S. (2006). *The changing landscape of federal child welfare financing: A primer for policymakers*. Denver, CO: National Conference of State Legislatures.
- v Christian, S. (2006). *The changing landscape of federal child welfare financing: A primer for policymakers*. Denver, CO: National Conference of State Legislatures.
- vi Murray, K.O. *The child welfare financing structure*. [Online]. Available: <http://www.pewfostercare.org> [Retrieved February 3, 2007].
- vii US Department of Health and Human Services, Children's Bureau. (2005). *HHS Approves Child Welfare Waivers for Indiana and Arizona*. [Online]. Available: [http://cbexpress.acf.hhs.gov/printer\\_friendly.cfm?issue\\_id=2005-09&article\\_id=1008&prt\\_art=1008](http://cbexpress.acf.hhs.gov/printer_friendly.cfm?issue_id=2005-09&article_id=1008&prt_art=1008) [Retrieved February 3, 2007].



Since its founding in 1974 by adoptive parents, the North American Council on Adoptable Children (NACAC) has been dedicated to the mission that every child deserves a permanent family. Through education, support, parent leadership capacity building, and advocacy, NACAC promotes and supports permanence for children and youth in foster care in the United States and Canada. Some of NACAC's core activities include empowering parents to support one another as they raise children adopted from foster care; working with policymakers, administrators, and grassroots advocates to reform the foster care system and improve outcomes for children and youth; and disseminating information that will help child welfare professionals and adoptive families better support vulnerable children.

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