DOCUMENT RESUME

ED 472 348 UD 035 441

AUTHOR	Bess, Roseana; Andrews, Cynthia; Jantz, Amy; Russell, Victoria; Geen, Rob
TITLE	The Cost of Protecting Vulnerable Children III: What Factors Affect States' Fiscal Decisions? Occasional Paper. Assessing the New Federalism. An Urban Institute Program To Assess Changing Social Policies.
INSTITUTION	Urban Inst., Washington, DC.
SPONS AGENCY	Annie E. Casey Foundation, Baltimore, MD.; Kellogg Foundation, Battle Creek, MI.; Robert Wood Johnson Foundation, Princeton, NJ.; Henry J. Kaiser Family Foundation, Menlo Park, CA.; David and Lucile Packard Foundation, Los Altos, CA.; John D. and Catherine T. MacArthur Foundation, Chicago, IL.; McKnight Foundation, Minneapolis, MN.; Commonwealth Fund, New York, NY.; Stuart Foundation, San Francisco, CA.; Fund for New Jersey, East Orange.; Lynde and Harry Bradley Foundation, Milwaukee, WI.; Joyce Foundation, Chicago, IL.; Rockefeller Foundation, New York, NY.; Charles Stewart Mott Foundation, Flint, MI.; Ford Foundation, New York, NY.
REPORT NO	OP-61
PUB DATE	2002-12-00
NOTE	43p.; Additional support from the Weingart Foundation. For related document, see ED 452 286.
AVAILABLE FROM	Urban Institute, 2100 M Street, N.W., Washington, DC 20037. Tel: 202-833-7200; Fax: 202-429-0687; e-mail: paffairs@ui.urban.org; Web site: http://www.urban.org.
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	EDRS Price MF01/PC02 Plus Postage.
DESCRIPTORS	Adoption; *Child Welfare; Federal Aid; Federal Legislation; Foster Care; State Aid; *Welfare Reform
IDENTIFIERS	Medicaid; Personal Responsibility and Work Opp Recon Act; Temporary Assistance for Needy Families

ABSTRACT

This paper presents findings from the 2001 Urban Institute Child Welfare Survey, which collected SFY 2000 expenditures. In addition to spending by source and by use, changes in spending between SFY 1998 and SFY 2000 are presented. This survey was designed to identify changes in child welfare spending following states' implementation of the Adoption and Safe Families Act (ASFA) of 1997 and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Results indicate that the fiscal impacts of welfare reform on child welfare are clear, including a $1.4 billion increase in Temporary Assistance for Needy Families (TANF) spending. States spent at least $20 billion on child welfare services in SFY 2000; a 20-percent increase from SFY 1998. The federal share of total spending increased. Federal spending was 45 percent of total spending in SFY 1998 and 49 percent in 2000. Spending on adoptions, other services, and administration increased. Reliance on nondedicated federal funds (TANF, Medicaid, and Social Services Block Grant) continues. Welfare reform had clear impacts on child welfare financing during this time period. (Contains 13 references.) (SM)

The Cost of Protecting Vulnerable Children III

What Factors Affect States' Fiscal Decisions?

Roseana Bess
Cynthia Andrews
Amy Jantz
Victoria Russell
Rob Geen
The Urban Institute

Occasional Paper Number 61

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

The Cost of Protecting Vulnerable Children III

What Factors Affect States' Fiscal Decisions?

Roseana Bess
Cynthia Andrews
Amy Jantz
Victoria Russell
Rob Geen
The Urban Institute

Occasional Paper Number 61

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

The Urban Institute
2100 M Street, N.W.
Washington, DC 20037
Phone: 202.833.7200
Fax: 202.429.0687
E-Mail: paffairs@ui.urban.org
http://www.urban.org

About the Series

Assessing the New Federalism is a multiyear Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at The Urban Institute's web site (http://www.urban.org). This paper is one in a series of occasional papers analyzing information from these and other sources.

Contents

The Cost of Protecting Vulnerable Children III

What Factors Affect States' Fiscal Decisions?

Introduction

Child welfare agencies provide a safety net for abused and neglected children and children at risk for abuse and neglect. Some children are able to remain in their homes, while others must be removed and placed in foster care or with relatives until they can return home. Unfortunately, some children cannot return home. These children are either adopted, moved into another permanent placement, or they "age out" of the system (i.e., they turn 18 or 21 years old and exit the system). Funding for services at all points within the spectrum described above is provided by federal, state, and local governments. In addition to state-specific events, two federal laws were enacted in the 1990s that could affect spending on child welfare services—the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and the Adoption and Safe Families Act (ASFA) of 1997. The Urban Institute saw the need to track how these laws would affect spending on child welfare services.

In 1997, during the first round of the Urban Institute Child Welfare Survey, researchers gathered state fiscal year (SFY) 1996 expenditure data from 48 states and the District of Columbia.[1] These data provided a baseline of what was occurring before welfare reform. Our 1997 survey found that total spending in SFY 1996 was $14.7 billion, and that states varied significantly in their spending from federal, state, and local sources (Geen, Waters Boots, and Tumlin 1999; Waters Boots et al. 1999). The survey also found that state child welfare agencies were using a large amount of funds not dedicated to child welfare services (e.g., Medicaid, Temporary Assistance for Needy Families [TANF]) to meet the needs of the children and families they were serving. In addition, the survey found that states were spending relatively little on prevention.

A second round of the Child Welfare Survey in 1999 collected SFY 1998 data and examined changes in spending between SFY 1996 and SFY 1998. Our 1999 survey found that total spending in SFY 1998 was $15.9 billion,[2] and that child welfare spending was unstable—many states saw relatively large changes in their spending on child welfare during the short time between surveys (Bess, Leos-Urbel, and Geen 2001). The survey also found that states continued to rely heavily on funds not dedicated for child welfare, while spending little money on prevention

THE URBAN INSTITUTE

services. Finally, the 1999 survey found that states' reliance on welfare dollars (Emergency Assistance in 1997 and TANF in 1999) dropped considerably compared with the 1997 survey.

This paper presents the findings of the 2001 Urban Institute Child Welfare Survey, which collected SFY 2000 expenditures. In addition to spending by source and by use, changes in spending between SFY 1998 and SFY 2000 and, when possible, between SFY 1996 and SFY 2000 are also presented. This survey was designed to identify changes in child welfare spending following states' implementation of ASFA and PRWORA (commonly referred to as welfare reform). While the Urban Institute's 1999 survey captured an early glimpse of the effects of welfare reform on child welfare spending, the 2001 survey sought to examine these effects after states had fully implemented reforms.

Federal Changes That Affect Child Welfare Spending

PRWORA changed our nation's welfare system by ending the entitlement to cash assistance and giving states considerable flexibility in the assistance programs they operate. PRWORA made few direct changes to the nation's child welfare system; however, it did make changes to four federal funding streams used by child welfare. PRWORA eliminated the Emergency Assistance (EA) program, which states were permitted to use for an array of child welfare activities, including prevention, family preservation, foster care, family reunification, and parenting education. Funds from the EA program were included in the TANF block grant. PRWORA also eliminated the Aid to Families with Dependent Children (AFDC) program. However, a child's eligibility for title IV-E funds was, and still is, linked to prewelfare reform eligibility rules for AFDC, even though AFDC no longer exists. The Social Services Block Grant (SSBG), which provides funding for a variety of activities related to child welfare, including preventive, protective, foster care, and adoption services, was reduced by 15 percent. In addition, PRWORA eliminated the individual functional assessment as a mechanism for determining eligibility for the federal Supplemental Security Income (SSI) program, thus making it more difficult for children to receive SSI funds.[3] Moreover, PRWORA removed the restriction on the use of title IV-E funds for for-profit institutions, thereby allowing states to use title IV-E funds for eligible children placed in for-profit institutions.

The Adoption and Safe Families Act (ASFA) of 1997 sought to provide states with the necessary tools and incentives to achieve the original goals of the 1980 Child Welfare and Adoption Assistance Act (P.L. 96-272): safety, permanency, and child and family well-being. The impetus for ASFA was a general dissatisfaction with states' performance in achieving these goals for children and families. The law makes safety the paramount concern in the desicionmaking and delivery of child welfare services, clarifies those situations in which reasonable efforts to prevent removal or to reunify children with their families are not required, and requires criminal-record checks of prospective foster and adoptive parents. To promote permanency, ASFA shortens the time frames for conducting permanency hearings, creates a new requirement for states to make reasonable efforts to finalize a permanent placement, and establishes time frames for filing petitions to terminate the parental rights for certain children in foster care.

Methodology[4]

Collecting and comparing child welfare expenditures across states is difficult for two reasons. First, child welfare agencies do not always serve the same populations. In some states, the child welfare agency is responsible for delinquent, homeless, and runaway youth, in addition to abused and neglected children. In other states, the child welfare agency may be responsible only for abused and neglected children. Second, states may not be able to document all the spending from the various funding streams available for child welfare. In 2000, there were 30 federal programs that financed child welfare services, in addition to state and local resources (U.S. House of Representatives 2000). Federal funding for child welfare services includes block grants that may be used for purposes other than child welfare by multiple agencies, and states cannot always determine what portion of these grants was used for child welfare. In addition, many child welfare agencies receive funds from the state that combine state and federal funds and are unable to separate the funding sources. Some states also have difficulty reporting local spending accurately because localities may not be required to report their expenditures to the state. To adjust for these variations, the Urban Institute Child Welfare Survey uses standardized definitions of child welfare expenditures, out-of-home placements, adoptions, administrative services, and other services.

In April 2001, we mailed the third round of our Child Welfare Survey to each state child welfare director. The states' responses to our 1999 survey were also sent back for confirmation or adjustments.[5] The 2001 survey was also available in a web-based format, and each state was given a user identification number and password to enter their state's data and make changes as necessary. The survey was due back in June 2001, but data collection continued through December 2001. Urban Institute staff conducted extensive phone, fax, and e-mail follow-up with each state to ensure the proper interpretation of the data. In addition, administrators from all 51 states were given the opportunity to participate in a 30-minute phone interview to provide us with a better understanding of how federal policy and state-specific changes may have affected their state's spending. We used a semistructured, open-ended instrument to conduct the phone interviews. We received survey responses from all 50 states and the District of Columbia; 21 states used the web-based format. Phone interviews were conducted with administrators from 29 states between November 2001 and March 2002. Four states provided written answers to our questions.

In the past two rounds of the survey, we received data from 49 and 48 states, respectively. Although in this round we received data from all 51 states, some states were unable to provide all the requested information. Therefore, the spending amounts reported below are underestimates of true spending. This inconsistency also limits our analysis of spending over time, and throughout the report the actual number of states included in an analysis is noted. Questions have been added, expanded, or reworded on the survey instrument over the course of the three rounds. Therefore, where possible, spending changes between SFY 1996 and SFY 2000 are presented, but the majority of the analysis focuses on changes between SFY 1998 and SFY 2000. In addition, there are limitations due to the difficulty states had providing the data in the manner we requested it. States do not account for spending by use in the manner we have created for the survey's purposes, so some states could not categorize certain spending. Therefore, spending trends are not exact. We adjust for inflation using the gross domestic product (GDP) price deflator. The findings that follow are presented in SFY 2000 dollars.

Total Child Welfare Spending

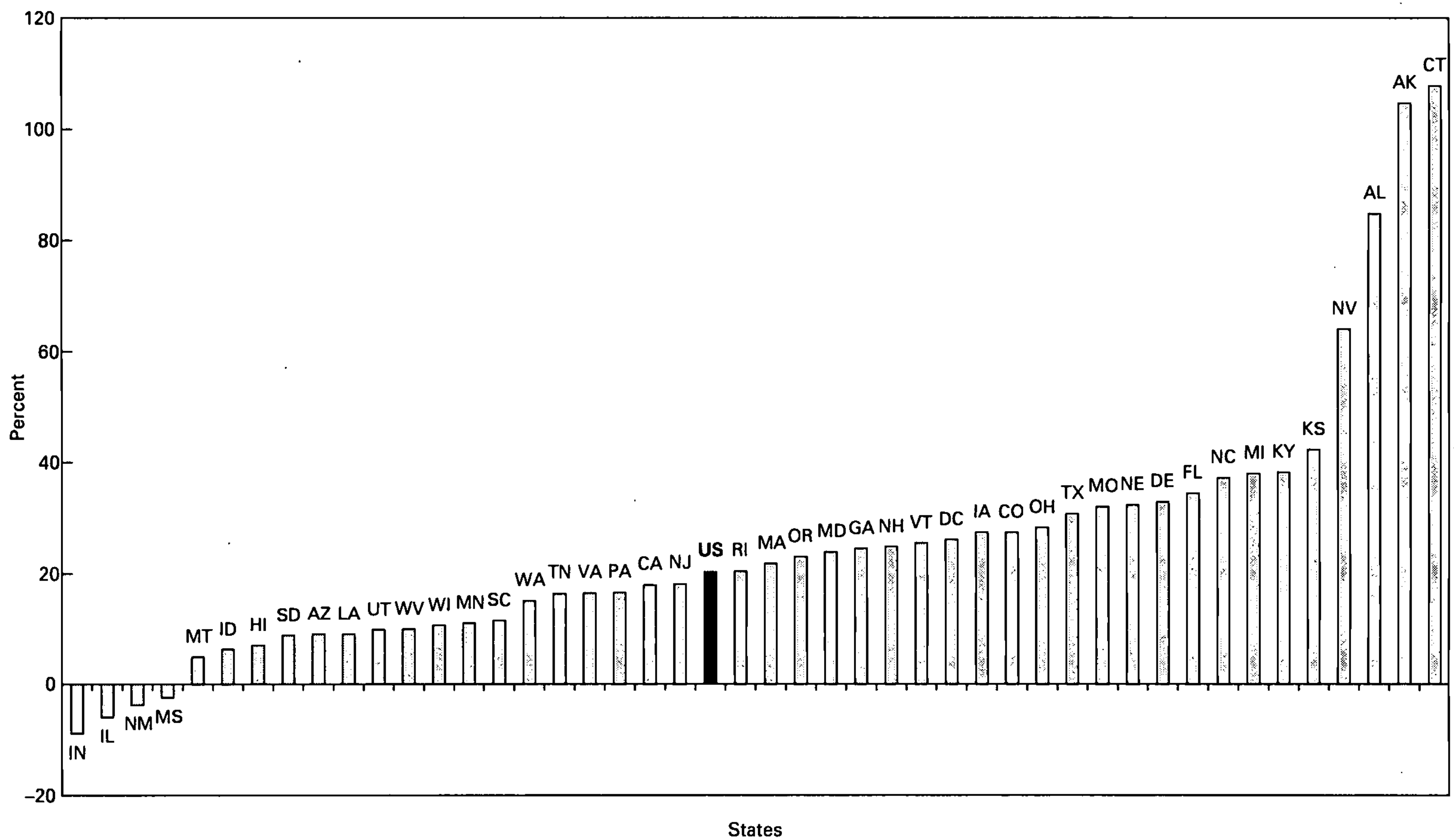
In SFY 2000, states spent at least $20 billion from federal, state, and local sources on child welfare services—20 percent more than in SFY 1998 based on an analysis of 45 states. The median increase was 22 percent. States also varied in their change in total spending (figure 1). Four states reported a decline of less than 10 percent in total spending between SFY 1998 and SFY 2000 while 13 states reported increases of more than 30 percent. Data from 47 states indicate that between SFY 1996 and SFY 2000, spending increased 32 percent.

This increase may be due partly to better reporting, but it is also due to a real increase in spending during this period. The national economy and state budgets were booming during these four years. Child welfare agencies had greater access to certain federal funding streams (such as TANF), and some child welfare agencies may have received higher allocations of state funds because of the increasing state revenues. Aside from the economic context, three factors were identified in the state-administrator interviews as triggering increases in spending: caseload size and composition, state-specific events, and ASFA.

First, most administrators identified increasing caseloads as the driving factor behind much of their spending. In addition, many administrators felt that the population of children with multiple or severe needs was increasing and more funding was being dedicated to residential and special services for this population. Therefore, the cost per case was increasing in some states. This was reported even in states reporting that caseloads had not increased. For example, in Ohio although incident reports decreased, therapeutic placements increased. And in Rhode Island, the number of children coming into care who need higher-end, more expensive levels of care led to an overall increase in the cost per case.

On the basis of Adoption and Foster Care Analysis and Reporting System (AFCARS) data available as of May 1, 2002, there was no change in the number of children in care nationally between September 30, 1998, and September 30, 2000.[6] Caseloads increased between 1998 and 1999, and then declined between 1999 and 2000, because of an increase in discharges from foster care (U.S. Department of Health and Human Services [U.S. DHHS] 2002a). At the same time, the National Child Abuse and Neglect Data System (NCANDS) reported a slight increase in the national rate of child victims (the number of child victims per 1,000 children). After

Figure 1. Change in Total Child Welfare Spending between SFY 1998 and SFY 2000



Source: 1999 and 2001 Urban Institute Child Welfare Surveys.
Note: Excludes 6 states that did not provide complete data for SFY 1998 or SFY 2000. Includes the District of Columbia. Change is adjusted for inflation.

THE URBAN INSTITUTE

declining steadily since 1993, the rate increased from 11.8 victims per 1,000 children in 1999 to 12.2 in 2000 (U.S. DHHS 2002b).

Both the AFCARS and NCANDS data systems provide a national picture of how child welfare caseloads and demands on the system may be changing, but there are differences in the experiences individual states have had with respect to caseload changes. A preliminary examination of state-level AFCARS data on the number of children in care on the last day of SFY 1998, 1999, and 2000 reveals that caseloads increased in 26 states over this three-year period, while decreasing in 17 states (only 43 states had complete data for all three years). Thirteen states had increases of 10 percent or more, while 11 states had decreases of 10 percent or more.

Second, a number of state-specific events were identified as influencing spending on child welfare services. These included executive initiatives to prevent child abuse and neglect and responses to highly publicized child deaths due to abuse or neglect. For example, Alaskan administrators reported that funding for child welfare services doubled over the last two years not only because of an increase in the caseload, but also because of support from the governor. Legislative activity and funding was driven by the governor's emphasis on children and families. In Utah, a lawsuit (which the state lost) was reported as the cause of the increasing amount of funding since 1995.

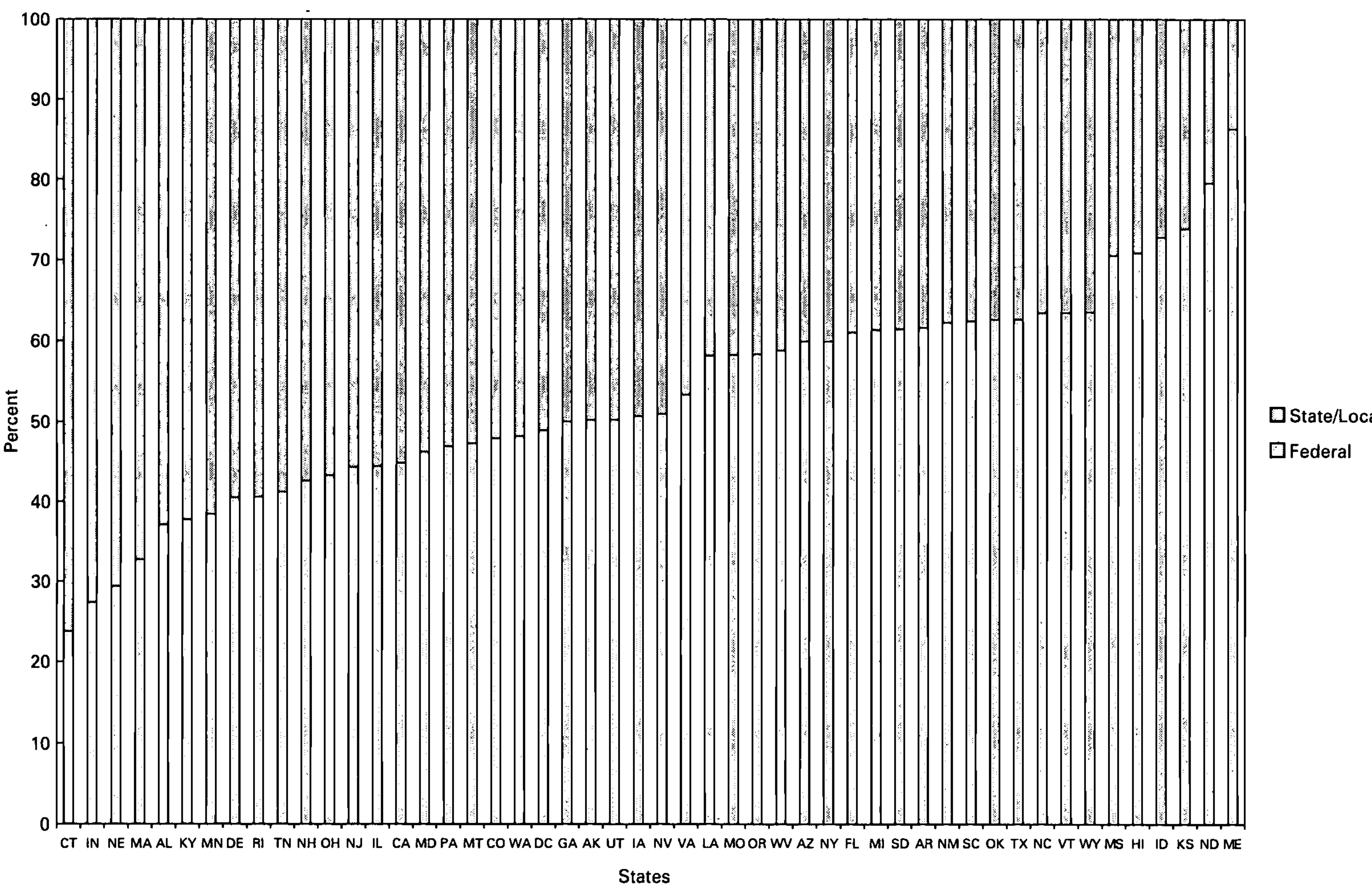
Finally, administrators reported that ASFA played a large role in redirecting funding toward finding permanent placements for children in care and implementing prevention efforts to keep children out of care. In most states, this has meant additional supports (e.g., resources and staff) for adoptions and reunifications, as well as new programs to move children out of care (e.g., subsidized guardianship or relative caregiver programs). In a few states (e.g., Wisconsin), this has led to additional funding for community services and early intervention programs.

Those states with decreases in total spending reported declining caseloads due to prevention and permanency initiatives, as well as a lack of state funding that led to an inability to draw down federal funds requiring a nonfederal match.

The share of funding coming from the federal government increased between SFY 1998 and SFY 2000. Overall, in SFY 2000, states spent $9.9 billion in federal funds, $7.9 billion in state funds, and $2.2 billion in local funds. Of the 50 states that provided us with a figure for total federal, state, and local expenditures, federal funds accounted for 49 percent of total spending; state funds, for 39 percent; and local funds, for 11 percent.[7] In SFY 1998, federal funds accounted for 45 percent of total spending.

Reliance on federal, state, and local funds varied greatly by state (figure 2). In 17 states, federal funds accounted for more than 60 percent of total spending, while in 6 states, they accounted for less than 40 percent. Several factors may explain this variation. First, differences in states' reliance on federal funds may reflect differences in (1) states' abilities to identify and claim expenditures for federal reimbursement or (2) state legislative appropriations of certain federal funds to the state child welfare agency. Second, for some child welfare expenditures, the federal government reimburses states at different rates. For example, the federal share of foster care

Figure 2. Comparison of States' Total Child Welfare Spending from Federal and State/Local Sources in SFY 2000



Source: 2001 Urban Institute Child Welfare Survey.
Note: Wisconsin was unable to provide state and local data separately. Includes the District of Columbia.

maintenance payments ranges from 50 to 83 percent, depending on the state's per capita income. States with higher per capita incomes (such as Massachusetts) receive a lower federal share and would be expected to rely less on federal funds. Third, differences in the degree to which states rely on federal funds are at least partially due to differences in states' child welfare caseloads. Not all children in care are eligible for support from certain federal funding streams; therefore, some states may have more children in care eligible for federally funded support than other states.

Of the $20 billion in total child welfare spending, states categorized how $15.7 billion were used.[8] States spent at least $9.1 billion on children in out-of-home placements,[9] of which approximately $3 billion was spent on support services and $4.5 billion was spent on room and board. At least $1.9 billion was spent on adoptions and support services for adopted children; of this, at least $65 million was spent on subsidized guardianships. States spent $1.8 billion on administration, and $2.9 billion on other services, including prevention services, child protective services, and family preservation and family support services (table 1).

Spending from Federal Sources

Of the 30 federal programs that finance child welfare services, titles IV-B and IV-E of the Social Security Act are the principal sources of federal funds dedicated for child welfare activities. Other federal programs, such as Medicaid and TANF, and several block and discretionary grants are also used for child welfare purposes. This section focuses on the major federal funding sources for child welfare (table 2).

In SFY 2000, states spent at least $9.9 billion in federal funds on child welfare services—a 25 percent increase from SFY 1998 based on 46 states for which data are available. The median increase was 24 percent. Six states reported decreases

Continued on page 10

Table 1. SFY 2000 Child Welfare Spending by Use ($ in millions)

	Total	Federal	State	Local
SFY 2000 Expenditures	$19,998	$9,874	$7,893	$2,230
Out-of-Home Placements	9,058	5,170	2,975	913
Support services	3,086	2,204	793	89
Room and board	4,563	2,382	1,359	822
Uncategorized[a]	1,409	583	823	3
Adoptions	1,941	997	853	91
Administration	1,793	528	1,128	138
Other	2,905	1,806	933	166
Uncategorized[a]	4,300	1,373	2,004	922

Source: Tabulated information from the 2001 Urban Institute Child Welfare Survey.
Note: Numbers may not total because of rounding.
a. The variety of accounting methods states use to track their spending means that some states were not able to categorize all expenditures according to the Urban Institute's uniform categories.

Table 2. Key Federal Child Welfare Funding Sources (2000)			
Funding Source	**Eligible Population**	**Eligible Services**	**Funding Level**
Title IV-B			
Part 1 (Child Welfare Services)	No eligibility criteria.	Services to prevent abuse and neglect, reduce foster care placements, reunite families, arrange adoption, and ensure adequate foster care.	Nonentitlement with 75 percent federal match capped at $292 million in 2000. Expenditures in 2000 totaled $259 million.
Part 2 (Promoting Safe and Stable Families)	No eligibility criteria.	Services to support families and avert foster care, and services to reunify families and promote adoption.	State entitlement with 75 percent federal match capped at $295 million in 2000. Expenditures in 2000 totaled $222 million.
Title IV-E Foster Care			
Maintenance Payments	Certain Aid to Families with Dependent Children (AFDC)-eligible children.[a]	Payments to foster care providers to cover basic maintenance, including children's food and shelter and parental visits. Funds may not be used for direct services.	Open-ended entitlement with federal match equal to state Medicaid matching rate. Expenditures in 2000 totaled $1.7 billion.
Administration	Expenses associated with title IV-E-eligible children in foster care, and proportional administrative expenses for the ongoing protective services population.	Placement services, case management, eligibility determinations, licensing, foster care recruitment, and other administrative costs.	Open-ended entitlement with 50 percent federal match. Expenditures in 2000 totaled $1.5 billion.
Training	Cost of training proportional to children eligible for title IV-E.	Training of agency staff and foster parents.	Open-ended entitlement with 75 percent federal match. Expenditures in 2000 totaled $149 million.
Title IV-E Adoption Assistance			
Adoption Payments	Special needs children eligible for AFDC or Supplemental Security Income (SSI).	Payments to adoptive parents—not to exceed comparable foster care amounts—to cover basic maintenance costs, including food, shelter, daily supervision, school supplies, insurance, and incidentals.	Open-ended entitlement with federal match equal to state Medicaid matching rate. Expenditures in 2000 totaled $675 million.
Administration	Expenses associated with children eligible for IV-E adoption assistance.	Child placement and other administrative activities.	Open-ended entitlement with 50 percent federal match. Expenditures in 2000 totaled $193 million.
Training	Cost of training proportional to children eligible for title IV-E.	Training of agency staff and adoptive parents.	Open-ended entitlement with 75 percent federal match. Expenditures in 2000 totaled $27 million.
Nonrecurring Expenses	Special needs children.	Reasonable and necessary adoption fees, court costs, attorney fees, and related expenses.	Open-ended entitlement with 50 percent federal match, up to $2,000 per placement. Expenditures are included in adoption payments above.
Title IV-E Chafee Foster Care Independence Program	Youth (no minimum age) who are likely to remain in care until age 18; youth age 18 to 21 who were released from care.	Services include basic living skills training, education, employment initiatives, substance abuse prevention, and preventive health activities. No more than 30 percent of the funds may be used for housing for youth age 18 to 20.	A state entitlement capped at $140 million. States are required to provide a 20 percent nonfederal match. Expenditures in 2000 totaled $65 million.

Continued

Table 2. Key Federal Child Welfare Funding Sources (2000) *Continued*			
Funding Source	**Eligible Population**	**Eligible Services**	**Funding Level**
Title IV-E Statewide Automated Child Welfare Information System (SACWIS)	Not applicable.	Funds support state efforts to develop automated child-welfare information systems, including costs associated with planning, design, development, and installation.	Open-ended entitlement with ongoing operational costs matched at a rate of 50 percent. Expenditures in 2000 totaled $118 million.
Temporary Assistance for Needy Families (TANF)	Needy families with children (as defined by the state). For those services that meet one of the last two purposes of the program, there is no requirement that families be needy.	Child welfare-related services must meet one of the four purposes of the program *or* have been in the state's AFDC plan on September 30, 1995, or August 21, 1996.	A state entitlement (no individual entitlements) capped at $16.5 billion through FY 2002. No required state match, but states must spend 75 percent of what they spent in FFY 1994. Expenditures in 2000 for child welfare services totaled $2.3 billion (including transfers to SSBG).
Social Services Block Grant (SSBG)	Varies by state.	States are given wide discretion in using funds for direct social services, as well as administration, training, and case management.	A state entitlement capped at $2.38 billion in 2000. Of the $1.775 billion that was appropriated in 2000, less than $897 million (excluding TANF transfers) was spent on child welfare services.
Medicaid	Varies by state.	For child welfare purposes, targeted case management and rehabilitative services.	Open-ended entitlement with a variable federal matching rate inversely related to a state's per capita income; can range from 50 to 83 percent. Expenditures in 2000 for child welfare purposes totaled $781 million.
Supplemental Security Income (SSI)	Low-income children and adults who are either aged (65 and over), blind, or disabled.	Payments are to cover food, clothing, and shelter, and to cover some nonmedical, disability-related costs.	Federally funded program with no required state match. Expenditures in 2000 for children in out-of-home placements totaled $73 million.

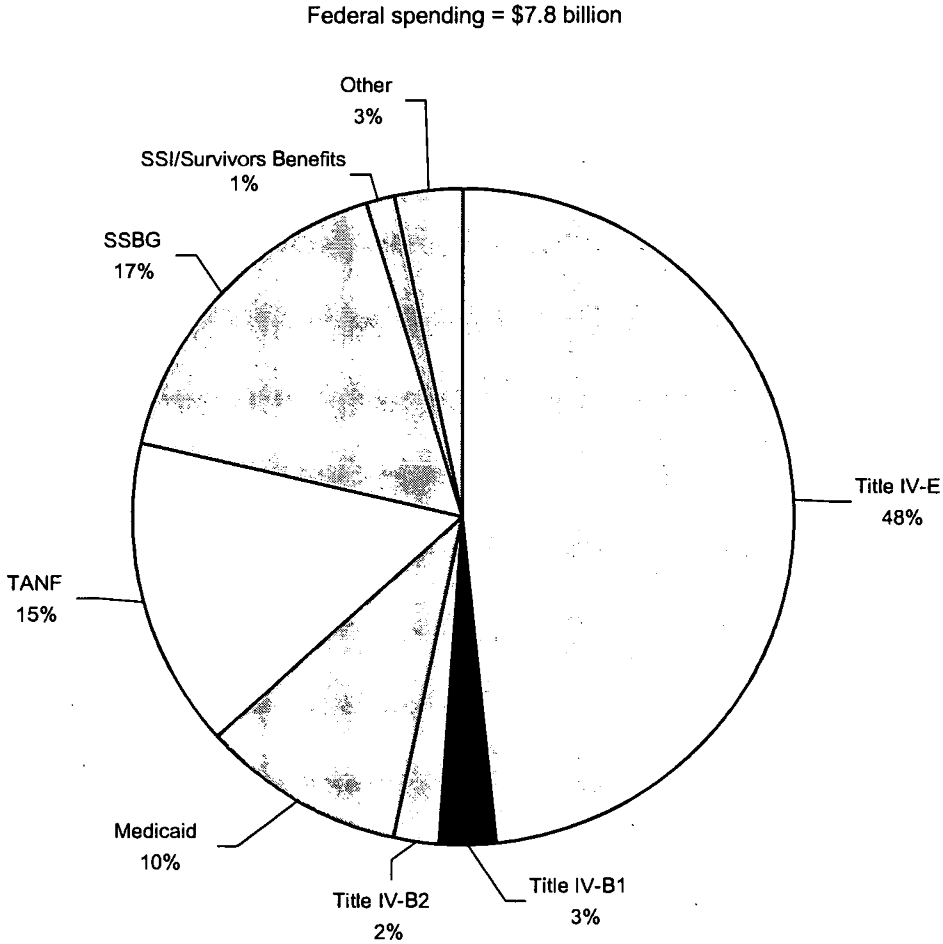
a. Under welfare reform, eligibility for IV-E reimbursement is based on 1996 AFDC income-eligibility standards.

ranging from 2 to 15 percent, while 13 states reported increases of more than 40 percent. An analysis of 48 states shows that spending increased by 39 percent between SFY 1996 and SFY 2000.

Thirty-nine states were able to identify federal spending by funding stream. Federal expenditures from title IV-E accounted for 48 percent of all federal funds; SSBG, for 17 percent; TANF, for 15 percent; Medicaid, for 10 percent; title IV-B subpart 1, for 3 percent; other federal funds (e.g., CAPTA grants), for 3 percent; title IV-B subpart 2, for 2 percent; SSI, for 1 percent; and Survivors Insurance Benefits, for less than 1 percent (figure 3). It is important to note that spending from title IV-E was less than half of all federal spending (48 percent in SFY 2000, down from 49 percent in SFY 1998). Spending from TANF, Medicaid, and SSBG combined was 42 percent of federal spending, up from 39 percent in SFY 1998.

States categorized how $8.5 billion of the $9.9 billion in federal funds were used. States spent at least $5.2 billion in federal funds on children in out-of-home

Figure 3. SFY 2000 Federal Child Welfare Spending by Funding Source



Source: 2001 Urban Institute Child Welfare Survey.
Note: Excludes 12 states that did not provide complete data on federal spending. Includes the District of Columbia. Numbers do not total 100 because of rounding.

placements, of which approximately $2.2 billion was spent on support services and $2.3 billion was spent on room and board. States spent $997 million on adoptions and support services for adopted children, of which at least $7.5 million was spent on subsidized guardianships. States spent another $528 million on administration, and $1.8 billion was spent on other services, such as parent aides, life skills, and supported remedial day care.

On the basis of the available data, we know that federal funds increased primarily because of increases in TANF spending and, to a lesser degree, title IV-E. In addition to these increases, anecdotal evidence from administrators presents a picture of the financing strategies states follow to maximize all resources and use the funds available to them. We discuss each funding stream and describe these strategies in more detail below.

Federal Funds Dedicated for Child Welfare

Titles IV-E and IV-B are the two largest federal programs dedicated for child welfare.[10] Title IV-E, the largest funding stream, consists of both the Foster Care and Adoption Assistance Programs, which are open-ended entitlements, and the Chafee Foster Care Independence Program, which is a capped entitlement. Title IV-B is a capped allocation to states that consists of two subparts—Child Welfare Services (subpart 1) and Promoting Safe and Stable Families (subpart 2). There are also several relatively small discretionary grants targeted for child welfare that we discuss later in the section on federal funds.

Title IV-E

The Foster Care Program reimburses states for maintenance payments provided to cover the cost of shelter, food, and clothing for eligible children in care; placement and administrative costs; and training for staff, as well as foster and adoptive parents. The Adoption Assistance Program reimburses states for adoption assistance payments made to adoptive parents of eligible special needs children, administrative costs, training for staff and adoptive parents, and nonrecurring expenses (e.g., court costs and attorney fees) associated with the adoption of special needs children.[11] The Chafee Foster Care Independence Program provides funding to states for services and programs to prepare youth in foster care (or formerly in the foster care system) to live independently after exiting foster care. The funding is capped at $140 million per year, and state shares are based on each state's share of the nation's foster care population in the most recent year for which data are available.

Three recent federal laws could affect the amount of money states receive under title IV-E. First, in 1996, PRWORA eliminated AFDC, yet eligibility for title IV-E Foster Care and Adoption Assistance is still based on a child's eligibility for AFDC as it existed in each state's plan on July 16, 1996. Therefore, states must base a child's eligibility for title IV-E on program and need standards that no longer exist in practice and are not adjusted for inflation. Second, ASFA placed a priority on permanency for children in foster care, which for some children means adoption. To promote adoption and provide an incentive for states to increase the number of children adopted from foster care, $43 million was appropriated in federal fiscal year (FFY) 2000 for adoption incentive bonuses. States receive $4,000 for each finalized adoption of a child in foster care above an established baseline, and $6,000 for each finalized adoption of a special needs child in foster care above the baseline. Finally, in 1999 the Foster Care Independence Act changed the name of the title IV-E Independent Living Program to the Chafee Foster Care Independence Program, and funding was increased from $70 million to $140 million. In addition, the act allowed states to extend Medicaid coverage to former foster children age 18 to 21, and it did not specify a minimum age before which children could receive independent living services. Given these federal changes, we expected to see changes in spending within title IV-E programs.

In SFY 2000, states spent $4.9 billion in title IV-E funds—13 percent more than in SFY 1998 based on 45 states (table 3). The median change was an increase of 20 percent. Spending declined in 9 states, ranging from 1 to 35 percent, while spending in 16 states increased by more than 30 percent. An analysis of data from 47 states indicates that between SFY 1996 and SFY 2000, spending increased by 24 percent. We believe the increase is mostly due to increases in the Adoption Assistance Program and state initiatives to recruit and train staff, as well as foster and adoptive parents. These factors are discussed further below.

Title IV-E Foster Care Program. States spent at least $3.4 billion in title IV-E Foster Care funds in SFY 2000—1 percent more than in SFY 1998 based on 36 states. Of this amount, states spent $1.7 billion on maintenance payments, and $1.7 billion on administration, training, and Statewide Automated Child Welfare Information Systems (SACWIS). Within the administration category, at least $526 million was spent on case planning and preplacement services, while at least $307 million was spent on administration and overhead. Spending on maintenance payments declined by 6 percent, while spending on the combination of administration, training, and SACWIS increased by 8 percent.

Some of the decrease in maintenance payments may be due to a decline in title IV-E eligibility because of the link to AFDC. The look-back date to determine

Table 3. SFY 2000 Title IV-E Expenditures

	SFY 2000 Expenditures ($ in millions)[a]	% Change from SFY 1998
Total IV-E[b]	$4,922	13
Foster Care[c]	3,392	1
Maintenance payments	1,664	(6)
Administration, training, SACWIS	1,726	8
Case planning and preplacement services[d]	526	—
Administration and overhead[d]	307	—
Adoption Assistance[e]	895	40
Adoption payments	675	40
Administration and training	221	41
Chafee Foster Care Independence Program[f]	65	19

Source: Tabulated information from the 1999 and 2001 Urban Institute Child Welfare Surveys.
Note: All percentages of change are adjusted for inflation.
— = not available.
a. Numbers may not total because of rounding.
b. Change reported is based on data from 45 states
c. Change reported is based on data from 36 states.
d. Case planning and preplacement services, and administration and overhead are subcategories under Title IV-E Foster Care administration. Thirty-seven states provided these data. States reported expending a total of $1.5 billion on Title IV-E Foster Care administration; therefore, it is unknown how $626 million of administration expenditures were spent.
e. Change reported is based on data from 34 states.
f. Change reported is based on data from 32 states.

eligibility is July 16, 1996; however, the need standards for AFDC-eligibility in some states go back further than 1996. For example, 1992 need standards are still in place in Utah. This means that when looking at a family's income in 2000 to determine if a child was title IV-E-eligible, the state was actually comparing that income with 1992 need standards, which had *not* been adjusted for inflation. Thus, although many states reported increases in their caseloads, they also reported that the number of children who were IV-E-eligible declined.

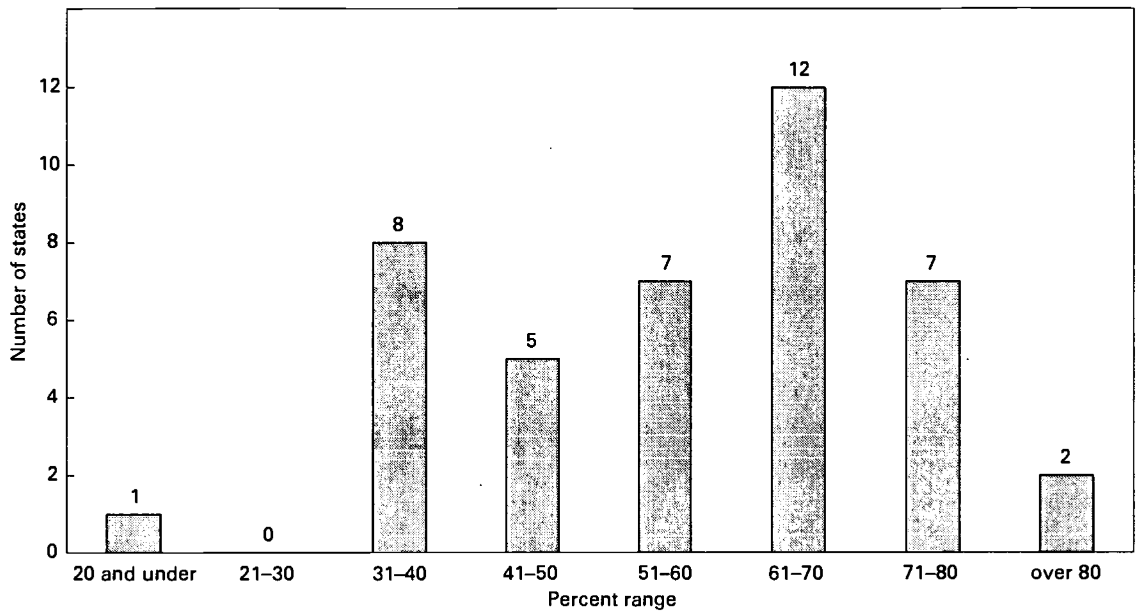
A new question in the 2001 survey asked states to estimate the percentage of children in out-of-home placements in SFY 2000 who were eligible for title IV-E maintenance payments (sometimes referred to as the penetration rate). On the basis of the 42 states able to provide this data, we found that approximately 57 percent of the children in out-of-home placements were considered eligible for title IV-E maintenance payments in SFY 2000. State-level AFCARS data on the penetration rate have not been reported consistently by all states; therefore, we cannot compare state-level data and provide information regarding a trend. However, national data for FFY 1996 and 1999 stated that 53 and 55 percent, respectively, of the children in foster care were IV-E-eligible (U.S. House of Representatives 1998, 2000). Accordingly, it is not clear if penetration rates are truly declining nationally.[12]

States are also at different points with respect to their penetration rates (figure 4). The range of rates is expected, since the AFDC need standards varied. States were able to set their own need standards under AFDC (and they still do under TANF). In poorer states, need was often defined at a lower income level, in contrast with wealthier states, which often defined need at a higher level. Those states that had lower AFDC need standards would be expected to have lower penetration rates, as more families in these states would *not* be expected to be AFDC-eligible.

Mississippi is the one state that reported its penetration rate as less than 20 percent, while California and Oklahoma are the two states that reported penetration rates of more than 80 percent. Aside from the variation in need standards, part of the reason for this disparity is a state's ability to maximize title IV-E funds—ensuring that all appropriate claims are made. Another reason is a state's ability to pay the nonfederal match in order to draw down federal funds. Mississippi administrators reported an inability to access state funds, thereby reducing their ability to improve their claiming systems and draw down federal funds.

Several factors may explain why spending on administration, training, and SACWIS increased, while maintenance payments decreased. First, states can submit claims for title IV-E reimbursements to cover some administrative costs for children who are later determined *not* eligible. Many states reported as well that training for workers increased (either because of new hires or simply new initiatives for training). Also, along with the increasing caseloads, administrators mentioned that states' recruitment and training of foster parents increased. Some states also reported that costs were being more appropriately allocated to title IV-E as claiming systems improved. Finally, a few states mentioned that the look-back date for eligibility determination is an administrative burden. As we move further away from the look-back date for eligibility and the number of eligible children declines, we should expect to see declines in title IV-E Foster Care spending overall.

Figure 4. State Penetration Rates by Range for Title IV-E Maintenance Payments in SFY 2000



Source: 2001 Urban Institute Child Welfare Survey.
Note: Excludes 9 states that did not provide penetration rates. Includes the District of Columbia.

The changes in spending in the title IV-E Foster Care Program have also affected TANF and Medicaid spending. Administrators reported a greater reliance on TANF funds for room and board as the number of children eligible for IV-E declined. In addition, states have turned to Medicaid to cover some administrative costs for those children who are not IV-E-eligible and for which state funds were previously used. Each of these changes is discussed further in the TANF and Medicaid sections below.

Title IV-E Adoption Assistance Program. In SFY 2000, states spent $895 million in title IV-E Adoption Assistance funds—40 percent more than in SFY 1998 based on 34 states. Of this amount, states spent $675 million on adoption subsidies, including at least $6.4 million on subsidized guardianships through title IV-E waiver demonstration projects, and $221 million on adoption administration and training.[13] Spending on adoption subsidies increased by 40 percent, while spending on administration and training increased by 41 percent. All states increased spending on adoption subsidies, with increases ranging from 5 to 448 percent.

This increase was expected, considering the mandate ASFA places on states to move children into permanent placements. State administrators reported an increase in the recruitment and training of adoptive parents and staff. Most of these children were adopted by their foster parents, possibly reducing the number of foster homes available in a state and adding to the need for more foster parents. In addition, many state administrators reported that the subsidy rates in their states had increased. Therefore, in addition to an increase in the number of subsidized adoptions, there was an increase in the amount of the subsidy provided.

While adoption expenditures were expected to increase and are expected to continue to do so for some time in the future, a decline in the number of children eligible for IV-E-reimbursed maintenance payments will eventually affect the Adoption Assistance Program. Eligibility for a IV-E-reimbursed adoption subsidy is based on eligibility for either a IV-E maintenance payment or SSI. As the number of children eligible for IV-E maintenance payments declines, and if these children are not SSI-eligible, the number of subsidies provided through the Adoption Assistance Program will eventually decline as well.

Chafee Foster Care Independence Program. States spent at least $65 million in Chafee funds in SFY 2000, an increase of 19 percent from SFY 1998 based on 32 states. Although the entitlement was doubled in SFY 2000, the additional $70 million was not made available until the end of most states' fiscal years. Moreover, many states were not prepared to use the additional funds immediately—programs had not yet been established and contracts had not yet been signed. However, on the basis of our interviews with state administrators, we know that the additional funds allowed states to plan for and create new programs (such as transitional living programs), as well as to expand services to include individuals over age 18 and youth already discharged from foster care (such as aftercare services).

While most states still seem to be in the planning process, some states have already implemented new services for this population. For example, in addition to extending Medicaid coverage to youth age 18 to 21 who were formerly in foster care, South Carolina is also working jointly with the TANF agency on a transition program to provide both foster and TANF youth with job-related training, including resume writing, interviewing skills, and job training. The program also provides life skills training and appropriate clothing for job interviews. Another example is the state of Minnesota, which is combining its Chafee money with TANF and state money to reach out to teens at risk for homelessness, pregnancy, and prostitution.

At least five states have implemented the Medicaid extension option that makes Medicaid available to all former foster youth. A number of states have made Medicaid available to former foster youth who meet certain criteria (e.g., those pursuing secondary education or participating in independent living programs). Several states have also allowed former foster youth to maintain medical assistance through either the State Children's Health Insurance Program or Medicaid options that existed before the Foster Care Independence Act (Eilertson 2002).

Title IV-B

The title IV-B Child Welfare Services Program, subpart 1 of the title, provides grants to states to prevent placement and reunify families, prevent abuse and neglect, and provide services to children in foster care or adoptive homes. A limited amount of these funds may be used for foster care maintenance payments, adoption assistance payments, and child day care. In FFY 2000, $292 million was appropriated for this program. Subpart 2 of title IV-B, Promoting Safe and Stable Families, funds family preservation and community-based family support programs, time-limited family reunification services, and adoption promotion and support services. In FFY 2000, Congress appropriated $295 million for this program.[14]

In SFY 2000, states spent $259 million in funds from title IV-B, subpart 1. An analysis of data from 42 states shows that this is a 13 percent decline from SFY 1996. This decline does not reflect a decline in the actual appropriation of funds, which increased during this period, but may represent states' abilities to maintain contracts to provide these services. It may also reflect state decisions to fund services that met the categorical requirements of subpart 2 as amended by ASFA, and that were formerly funded by subpart 1 with subpart 2 dollars. In addition, states have two years to use their allocation, so this may also reflect the flexibility granted. Of the $259 million, states categorized $178 million. States spent at least $90 million on children in out-of-home placements, of which at least $47 million was spent on support services and $24 million was spent on room and board. States spent $3.4 million on adoptions and support services for adopted children; $30 million on administration; and $55 million on other services, including child protective services, child care assistance, and housekeepers.

States spent $222 million in subpart 2 funds in SFY 2000—104 percent more than in SFY 1996 based on data from 42 states. This increase in part reflects an increase in the appropriation (from $225 million in 1996 to $295 million in 2000), but it may also reflect states' abilities to establish programs and maintain contracts. In addition, as mentioned above, it may also reflect state decisions to use subpart 2 dollars to fund services formerly funded with subpart 1 dollars, if these services met the categorical requirements of subpart 2 as amended by ASFA. This funding stream was only created in 1994; therefore, states may still have been in the early implementation phase in SFY 1996. Of the $222 million spent in SFY 2000, states categorized $204 million. States spent at least $16 million on children in out-of-home placements; $13 million on adoptions and support services for adopted children; $11 million on administration; and $164 million on other services, including family preservation and support services, reunification services, and alternative response systems.

Data from 45 states show that when subpart 1 and 2 expenditures were combined, there was a 9 percent increase in spending from title IV-B funds between SFY 1998 and SFY 2000.[15] The median change was a 3 percent increase.

Nondedicated Federal Funds

In addition to the federal funds dedicated for child welfare, there are three funding streams (TANF, SSBG, and Medicaid) not targeted for child welfare activities that many states rely on to fund services for child welfare clients. The ability to use these funds for child welfare activities and the types of services that may be funded vary in accordance with each program's eligibility rules and guidelines.

In SFY 2000, states spent almost $4 billion from TANF, Title XX SSBG, and Title XIX Medicaid combined—28 percent more than in SFY 1998 based on 35 states (table 4). Most of this increase was due to increases in TANF spending, which is discussed below. Although these funds accounted for 42 percent of all federal funds in SFY 2000, there was still great variation among states in the use of these funds, ranging from 0 percent of all federal funds in Virginia to 70 percent in South Carolina. Combined, these funds accounted for more than half of all federal funds in 16 states. This variation existed for a number of reasons.

First, not all child welfare agencies had access to these funds—for example, the state legislature may not have appropriated the funds to the child welfare agency, there may not have been an agreement between the child welfare and TANF agencies to transfer funds, or the state plan did not incorporate child welfare services and activities. Second, state allocation plans may have provided a percentage of the funds to the child welfare agency, with the amount then having fluctuated from year to year. Or there was an agreement on the amount the child welfare agency would receive and there was no adjustment for changes in needs from year to year. Third, child welfare agencies may have received the funds as part of their state funding and could not document the federal source.

TANF

TANF is a capped block-grant program with no required state match, although states must spend their own funds to receive the grant.[16] Within certain guidelines,[17] states may fund a variety of child welfare activities using TANF funds, including services for family reunification, parenting education, in-home family services, and crisis intervention. States can also use TANF funds to support children that child welfare has removed from their parents' homes and placed with relative or kinship

Table 4. SFY 2000 Expenditures from Nondedicated Federal Funds

	TANF[a]	SSBG[b]	Medicaid	Total
SFY 2000 Expenditures ($ in millions)	$1,674	$1,528	$781	$3,983
Change from SFY 1998[c]	168%	2%	21%	28%
Out-of-Home Placements	$771	$391	$444	$1,606
Support services	197	159	180	536
Room and board	372	57	90	519
Uncategorized[d]	202	175	174	551
Adoption	29	22	14	65
Administration	104	179	77	361
Other Services	358	792	212	1,362
Uncategorized[d]	412	144	34	589

Source: Tabulated information from the 1999 and 2001 Urban Institute Child Welfare Surveys.
Note: Numbers may not total because of rounding.
a. States spent $2.3 billion in TANF funds when the calculation includes the transfer to SSBG.
b. States spent approximately $897 million in SSBG funds without the TANF transfer.
c. Change in TANF is based on data from 39 states and excludes transfers to SSBG. Change in SSBG is based on data from 42 states and includes transfers from TANF. Change in Medicaid is based on data from 39 states. Total change is based on data from 35 states. All percentages of change are adjusted for inflation.
d. The variety of accounting methods states use to track their spending means that some states were not able to categorize all expenditures according to the Urban Institute's uniform categories.

caregivers. In FFY 2000, states also had the ability to transfer up to 10 percent of their TANF grant to SSBG.

PRWORA ended the AFDC-Emergency Assistance (EA) program and rolled these funds into the TANF block grant. EA was an open-ended entitlement program with a federal match rate of 50 percent, and states were given wide latitude to fund a variety of child welfare activities through this program. For example, services for prevention, family reunification, counseling, parenting education, case management, in-home family services, and crisis intervention could be funded under EA. States were also able to use EA funds for activities not reimbursable under title IV-E, such as costs associated with nonrelative foster care for children not eligible for title IV-E. Currently, a state can use TANF funds to cover nonrelative foster care costs if this had been in the state's approved AFDC plan.

In SFY 2000, states spent $1.7 billion in TANF funds on child welfare activities, not including funds transferred to SSBG. Responses from 39 states that provided data in both rounds show that this is a 168 percent increase from SFY 1998.[18] The median change was 95 percent. Increases ranged from $281,000 to more than $166 million. TANF spending decreased in five states by a range of 3 to 79 percent. States' reliance on TANF funds as a percentage of all federal funds ranged from 0 percent in eight states to 41 percent in Texas.

If we include in our calculation the $631 million that states identified as having been transferred to SSBG and used for child welfare purposes, states spent at least $2.3 billion in TANF funds. Data from 34 states show that TANF spending increased by 317 percent, or $1.4 billion, between SFY 1996 and SFY 2000, if one includes TANF funds transferred to SSBG.

We anticipated the increase in TANF spending on child welfare activities because the TANF final rule was released in 1999, and states were more aware then of how these funds could be used for child welfare purposes. On the basis of our phone interviews with state child welfare administrators, we know that many states created or enhanced existing programs with the availability of TANF funds. In many instances, these programs were different than programs previously funded under the EA program. For example, in Arizona EA only funded out-of-home services; now TANF funds in-home services. Indiana has used TANF funds to create an assisted guardianship program that was never funded under EA.

In addition, the increase in TANF spending may be attributed to the decline in title IV-E maintenance payments. As states' abilities to claim title IV-E maintenance payments declined, other federal sources were sought to cover these costs. Several state administrators reported that TANF is used when children are not title IV-E-eligible. Some also indicated that they are seeking to use TANF as their penetration rates decline. If TANF funds (or other federal funds) were not available, state funds would have to be used. Several administrators stated that in addition to using TANF to cover the costs of room and board, they use TANF before title IV-B to cover the costs of support services for children in out-of-home placements. According to administrators, this is done because TANF provides greater flexibility, since it is a block grant and also a larger funding source (the total block grant was $16.5 billion in FFY 2000). Title IV-B subparts 1 and 2 combined were appropriated for only $587 million in FFY 2000.

Of the $1.7 billion, states categorized $1.3 billion. States spent at least $771 million on children in out-of-home placements,[19] including at least $197 million on support services and $372 million on room and board. Of the $771 million, at least $97 million was spent on relative-caregiver or kinship-care programs. At least $29 million was spent on adoptions and support services for adopted children; $104 million on administration; and $358 million on other services, including protective day care, substance abuse counseling, and immunization outreach. It should be noted that TANF spending on out-of-home placements increased from $128 million in SFY 1998 (adjusted for inflation) to $771 million, while spending on other services increased from $102 million to $358 million.

TANF spending by child welfare agencies does not represent the complete picture of benefits that TANF funding can provide to child welfare clients. Decreasing welfare caseloads allowed for more TANF money to be used by welfare agencies for the development of programs and services that might aid in preventing abuse or neglect (Andrews et al. 2002). The collaborative use of TANF funds between welfare and child welfare agencies may create more holistic, family-focused self-sufficiency services for dual-system families (i.e., families involved with both agencies).

Many of the state child welfare administrators whom we interviewed identified a number of collaborative programs designed to meet the needs of dual-system clients (or potential dual-system clients). The most common type of collaboration described by child welfare administrators consists of joint programs or services for child welfare and welfare clients. These programs range from dual-system client tracking to services aimed at the prevention of child welfare involvement. In South Carolina, TANF funds are used to fund a fatherhood coordinator position. The coordinator is responsible for getting fathers more involved with their children who are receiving welfare or child welfare assistance.

Another form of collaboration mentioned by administrators occurs at the administrative level and includes changes to policy and procedures that affect both child welfare and welfare clients. These infrastructure changes include, but are not limited to, policies regarding information sharing, joint strategic planning, and joint casework. For example, Oregon is in the process of reorganizing its Adult and Family Services Division (its welfare agency) and its Children and Families Division into one integrated agency that addresses both family self-sufficiency and child protection.

Several child welfare administrators identified PRWORA as one impetus for these collaborations. Yet there was concern that the existence of these collaborative programs hinges on a continued decline in welfare caseloads. State welfare agencies have been able to invest in collaborative efforts because caseload declines have limited the resources needed for cash assistance payments. There was concern among child welfare administrators that the current recession will cause many of the new programs and services to end. As a result, some child welfare administrators are reluctant to use TANF funds to develop new programs or expand existing programs and services until they are assured of stable funding. Child welfare administrators were adamant, however, that many of the infrastructure changes occurring at the administrative level are independent of TANF funding and would not be impacted by a decline in funding.

SSBG

SSBG is a capped entitlement program with no required state match, and states are given wide discretion to determine the services funded by SSBG, as well as the eligible population. States use SSBG funds for a variety of activities related to child welfare, including preventive, protective, and adoption services, and services for children in foster care. SSBG funds may also be used for room and board in protective service cases where states provide temporary emergency shelter. In addition to using these funds for child welfare-related activities, states also use these funds for some adult services (e.g., adult day care). States usually allocate funds to the various programs by a formula, or give programs a set dollar amount each year. Over time, SSBG has lost its buying power and significance for some child welfare agencies, as the block grant has been continually cut. In FFY 2000, SSBG was appropriated for $1.775 billion.

In SFY 2000, states spent $1.5 billion in SSBG funds on child welfare services—an increase of 2 percent from SFY 1998 based on data from 42 states. The median was a decline of 5 percent. This amount includes $631 million in transferred TANF funds used for child welfare services.[20] The increase appears to be entirely due to the transferred TANF funds. When the TANF transfer is removed from the calculation, approximately $897 million in pure SSBG funds were spent on child welfare services in SFY 2000.[21]

Data from 30 states show that between SFY 1996 and SFY 2000, SSBG spending declined by 19 percent ($145 million) when the TANF transfer is removed from the calculation. Given that SSBG funds were cut by 15 percent by PRWORA, a decline in spending was anticipated. Of the 20 states reporting a decline in SSBG spending between SFY 1998 and 2000, 10 reported declines greater than 20 percent. Reliance on SSBG funds ranged from 0 percent of all federal funds in Rhode Island and Virginia to 45 percent in Florida.

The continual cuts in SSBG over the past 20 years have forced child welfare administrators to be more discerning in their use of SSBG funds. The interaction with TANF has added another layer to their decisionmaking. Most state administrators felt that TANF's creation did not affect how they use SSBG. However, administrators commented that as their allocations have decreased, the TANF transfer has helped maintain services funded through SSBG. A few administrators did mention that changes in programming have been necessary because of the mandate to meet the poverty level requirement when using TANF funds.[22] In addition, some states are reducing their reliance on SSBG for child welfare services by changing their state formulas for allocating these funds. For example, administrators in Texas and Ohio reported substituting funds from title IV-B, subparts 1 and 2, for SSBG funds where appropriate, because of the continued decline in SSBG.

Of the $1.5 billion, states categorized $1.4 billion. States spent at least $391 million on children in out-of-home placements, including at least $159 million on support services and $57 million on room and board. States spent at least $22 million on adoptions and support services for adopted children; $179 million on administration; and $792 million on other services, including homemaker services, crisis nursery, and sexual abuse counseling.

Medicaid

States can also use Medicaid, an open-ended entitlement, to fund some services provided by the child welfare agency through two optional services: targeted case management and rehabilitative services. Through targeted case management services, Medicaid pays a portion of child welfare workers' salaries for the time these workers spend assisting eligible clients in accessing necessary medical, social, educational, and other services. Rehabilitative services are medical or remedial services provided for the reduction of a physical or mental disability, assisting child welfare clients and others to reach a better functional level. We specifically requested that Medicaid expenditures for routine health care services provided for children in foster care be excluded.

States spent $781 million in Medicaid funds for child welfare services in SFY 2000—21 percent more than in SFY 1998 based on data from 39 states, with a median of 16 percent. Twelve states reported declines ranging from 5 to 100 percent. Of the 23 states reporting an increase, 9 reported increases of more than 40 percent. An analysis of data from 38 states indicates that between SFY 1996 and 2000, spending increased by 24 percent. Reliance on Medicaid as a percentage of all federal funds varies, ranging from 0 percent in six states to 58 percent in Rhode Island.

Variation in the use of Medicaid exists for a couple of reasons. First, some states do not have targeted case management or rehabilitative services as an option in their state Medicaid plan; therefore, child welfare agencies cannot submit a claim to Medicaid to cover these costs. Some state legislatures or state Medicaid administrators may be hesitant to approve a change in the state's Medicaid plan for fear of rising expenditures. Second, some child welfare agencies do not receive Medicaid funds directly, but are reimbursed for Medicaid expenditures through the state's general fund. Therefore in some states, Medicaid spending on activities related to child welfare is reported as zero because these expenditures are reported as part of state spending.

Medicaid spending has increased for a number of reasons. First, states have gotten better at maximizing funding. This may be due to improved management information systems that track caseworkers' activities to identify those that can be claimed to Medicaid. Second, several states just recently began making claims to Medicaid for targeted case management or rehabilitative services. Moreover, some states that already had this ability reported that the increase in the number of children with multiple needs has increased their use of more expensive residential treatment centers (both in- and out-of-state). They have made claims for these services to Medicaid. In addition, declining title IV-E reimbursement for maintenance payments has forced states to rethink how they use each of the available federal funding streams.

Administrators reported that as we have moved further away from the look-back date for determining title IV-E eligibility, the number of children in out-of-home placements who are eligible for title IV-E assistance has declined. States have to use state funds or other federal funds, as appropriate, to cover the cost of care for these children, and there is an incentive for states to use Medicaid funds instead of state funds. First, unlike title IV-E, the percentage of children in out-of-home placements who are eligible for Medicaid is typically very close to 100 percent. States can claim Medicaid for targeted case management costs for these children and receive a federal match, which is generally more generous than the administrative match rate of 50 percent. Second, for those children in more expensive therapeutic settings, if states can claim Medicaid under the residential rehabilitative option, some of the financial burden on the state is removed, which potentially frees up state funds to be used for other purposes, including child welfare services.

Of the $781 million, states categorized $750 million. Of the $444 million spent on children in out-of-home placements, at least $180 million was spent on support services and at least $90 million was spent on room and board (for children in rehabilitative treatment facilities or therapeutic foster care). States spent at least $14 million on administrative and support services for adopted children; $77 million on administration; and $212 million on other services, including psychiatric diversion programs, in-home services, and behavior management programs.

Additional Federal Funds for Child Welfare

In addition to the dedicated and nondedicated federal funding streams for child welfare, we asked the states to report on these additional federal funding streams: Title XVI Supplemental Security Income (SSI); Title II Survivors Insurance Benefits; and other federal funds available, such as discretionary and state grants. SSI and Survivors Insurance Benefits are not child welfare funding streams; however, states receive SSI or Survivors Insurance Benefits on behalf of children in out-of-home placements because of disabilities or the death of a biological parent, respectively. We do not report individually on the numerous discretionary and state grants because of the inconsistency among the states in both the use of these funds and their ability to report on them.

SSI is a national program for the aged (65 or over), blind, or disabled. Children under age 18 may be eligible for SSI if determined disabled due to "a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months."[23] SSI funds are provided for the care of eligible low-income children, including food, clothing, shelter, and some of the nonmedical, disability-related costs. In SFY 2000, states spent at least $73 million in SSI funds on children in out-of-home placements. An analysis of 22 states indicates that this is a 16 percent decline (with the median being a 12 percent decline) from SFY 1998. This decline was anticipated because of the changes PRWORA made to the eligibility determination process. States have an incentive to get SSI funds for eligible children in foster care because SSI is fully federally funded (i.e., it does not require a state match).

And for those children who are not in higher-end placement settings, the SSI payment is typically higher than a foster care payment.

In SFY 2000, states spent at least $36 million in Survivors Insurance Benefits on children in out-of-home placements. Most states were unable to provide this data. With respect to maximizing all funding sources, there is the potential to free up a small amount of state dollars for other uses, including child welfare, by establishing paternity. Social service agencies and child support enforcement agencies are collaborating in a concentrated effort to identify the paternity of children involved in public social service systems. By establishing paternity, those children whose fathers are deceased (or die while the child is in care) may be eligible for Survivor's Benefits. This payment could replace or supplement state dollars supporting the eligible child. For example, a child in foster care who is ineligible for IV-E aid may be receiving a state-funded payment. However, if the child were eligible for Survivor's Benefits, the state's portion of the payment could be decreased by the amount of the Survivor's Benefits, saving state dollars to be used for other purposes, including child welfare services.

In SFY 2000, states spent $278 million in other federal funds—a 37 percent increase from SFY 1998 based on data from 40 states. The median was 28 percent. Data from 31 states indicate that spending increased by 72 percent ($101 million) between SFY 1996 and 2000. The increase in spending is probably due to better reporting and states' abilities to access and use these funds. Reliance on these funds varies from less than 1 percent in seven states to more than 10 percent in four states. These federal funds (e.g., Child Abuse Prevention Treatment Act and Children's Justice Act grants) include grants provided by not only the Department of Health and Human Services, but also by the Departments of Justice, the Interior, and Education. In FFY 2000, the available grant money from these Departments for activities related to child welfare totaled more than $400 million.

States categorized $265 million of the $278 million in other federal funds. In SFY 2000, states spent at least $10 million on children in out-of-home placements; $20 million on adoptions and support services for adopted children; $9 million on administration; and $226 million on other services, including teen-parent housing, child abuse prevention, and home visiting programs.

State Spending

In SFY 2000, states spent $7.9 billion in state funds—an 18 percent increase from SFY 1998 based on data from 43 states. The median change was 10 percent. In 10 states, spending declined by a range extending from 1 percent in Colorado to 41 percent in Hawaii, while 13 states had increases of more than 30 percent. Data from 47 states show that state spending increased by 26 percent between SFY 1996 and SFY 2000. There are a number of reasons why state spending increased.

First, some of this increase is simply due to the nonfederal match required for many federal programs (e.g., title IV-E or Medicaid). All children who are maltreated and removed from their homes must be provided for by the state or locality responsible for their welfare. On the basis of the child's eligibility for certain federal programs, the state may use one of the following funding scenarios to care for the child: federal funds combined with state or local funds or both; state and local funds; or state funds only. The most common scenario is the mixing of federal funds with state or local funds or both. As federal spending from these types of programs increases, state spending should increase to meet the nonfederal match.

Second, given that there was a slight decline in title IV-E foster care maintenance payments, unless a child was eligible for another federal program (e.g., SSI) or the state's AFDC plan allowed funds to be used for foster care payments, the state, the locality, or both had to cover all the costs associated with the maintenance payments for this child. Administrators reported that the link to AFDC caused a decline in the number of eligible children. Therefore, an increase in state spending would be expected.

Third, state-specific initiatives may have been implemented, or incidents may have occurred, that led to an influx of state money. For example, many states noted that the impetus behind increased state spending was initiatives to place children in family-based settings rather than in institutions, as well as an increase in the use of relatives as a placement resource. Also, a number of states noted that ASFA's emphasis on adoption has required an increase in state money devoted to adoption issues, such as training, subsidies, and related administrative costs.

Of the $7.9 billion, states categorized $5.9 billion. States spent $3 billion in state funds on children in out-of-home placements, of which $793 million was spent on support services and $1.4 billion was spent on room and board. At least $853 million in state funds was spent on adoptions and support services for adopted children, of which at least $57 million was spent on subsidized guardianships. States spend $1.1 billion on administration, and $932 million on other services. These other services included homeless assistance, intensive family services, and teen-pregnancy prevention programs.

Within the category of out-of-home placements, we asked the states to further categorize their spending by placement setting. Of the $3 billion in state funds spent on out-of-home placements, states categorized how $2.6 billion were spent. In SFY 2000, states spent at least $1.1 billion on children in family foster care placements, $957 million on children in residential placements, $104 million on children in shelter care placements, $43 million on youth in independent living, $4 million on youth in correctional facilities, and $366 million on other placements (e.g., therapeutic foster care) and supports.

Local Spending

In SFY 2000, states spent at least $2.2 billion in local funds on child welfare services. This is an increase of 9 percent from SFY 1998 based on 29 for which data were available in both rounds. The median change was 5 percent. Data from

6 states show that spending increased by 30 percent between SFY 1996 and SFY 2000. There was also state variation in the reliance on local funds. As a percentage of total spending, this ranged from .04 percent in Missouri to 71 percent in Indiana. Local spending was 20 percent or more of total spending in five states. The variation is due to reporting issues and the requirements placed on localities to match funds or cover certain child welfare costs.

Most states were unable to provide data on local spending because local governments typically are not required to report their spending to the state (except when the locality is required to match funding). The total reported here, therefore, is an underestimate of local governments' spending. Many localities use their own funds to supplement state and federal funds.

Most local governments are not required to match state or federal funds, but of the $2.2 billion in local spending in SFY 2000, at least $425 million was spent to meet required local matches. Of the 49 states that responded to our questions about required local matches, 8 required localities to match federal and state funds, 5 required localities to match federal funds only, and 3 required localities to match state funds only. Nine states reported that local governments were required to pay a portion of the nonfederal match for title IV-E foster care maintenance payments. Three of these states (Indiana, Minnesota, and Ohio) required that local governments pay 100 percent of the nonfederal match. The reliance on local funds is a concern because local revenue is typically generated by property taxes, and inequities exist in the burden placed on localities because of varying property values across a state.

States categorized $1.3 billion of the $2.2 billion. In SFY 2000, at least $913 million in local funds was spent for children in out-of-home placements, including $89 million for support services and $822 million for room and board. At least $91 million was spent on adoptions and support services for adopted children; $138 million on administration; and $166 million on other services.

Expenditures on Contracted Services

Most public child welfare agencies rely on separate private (often nonprofit) agencies to provide some child welfare services. These agencies are monitored by the state or local child welfare agency. Services typically contracted out include respite care, foster care, residential services, post-adoption support services, and family preservation and support services. Some states have contracted out recruitment and training of foster and adoptive parents, while a few states have contracted with community agencies to provide an alternative response system for low-risk reports of abuse and neglect. Investigations and case management are typically not contracted out.

In SFY 2000, at least $3.3 billion of total child welfare spending was spent on contracted services. Of this amount, at least $2.4 billion was spent on out-of-home placements; $144 million on adoptions and support services for adopted children;

$112 million on administration; and $622 million on other services, such as client transportation and family support and stabilization services.

States vary in the extent of their use of contracted providers. Some states have contracted out most services except for child protective services and determinations of eligibility for title IV-E, while others only use contracted providers for adoption or family preservation and support services. In a few states where discussions about expanding privatization have occurred, the decision was made not to increase their use of private providers because it was found not to be cost-effective in those states. For example, Texas had a pilot project contracting out placement and service delivery, but the state ended the project because it was not cost-neutral.

Conclusions

Our findings document the amount states spent on child welfare services in SFY 2000, the funding streams they used, the purposes for which funds were used, and shifts that have occurred since welfare reform and ASFA.

- **States spent at least $20 billion on child welfare services in SFY 2000.** This is a 20 percent increase from SFY 1998. Spending from all sources—federal, state, and local—increased. However, the largest increase was seen in spending from federal funds. This increase is predominantly due to increases in TANF spending and, to a lesser degree, title IV-E.
- **The federal share of total spending increased.** Federal spending was 49 percent of total spending in SFY 2000, up from 45 percent in SFY 1998. Although spending from state funds also increased, the state share of total spending declined from 42 to 39 percent. As states rely more heavily on federal funds, there is concern that programs that were formerly funded with state resources may now be supported by federal funds and that the state may not maintain its support for these programs. Instead, the state may use these "freed up" funds for purposes that are not related to child welfare.
- **Spending on adoptions, other services, and administration increased.** Of the $20 billion in total spending, states were able to categorize how $15.7 billion was used. Between SFY 1998 and SFY 2000, the largest increase in spending by use appears to be on other services—services to maintain children in their homes and to investigate reports of abuse and neglect, as well as other services that do not fall into the categories of out-of-home placements, adoptions, or administration. States spent at least $2.9 billion on other services—a $1.5 billion increase from SFY 1998.[24] Spending on adoptions (recruitment, training, subsidies, and support services) increased by $500 million.[25] The increases in spending on other services and adoptions appear to have been due to ASFA.
- **Reliance on nondedicated federal funds (TANF, SSBG, and Medicaid) continues.** Spending from TANF, SSBG, and Medicaid combined totaled 42 percent of all federal spending (at least $4 billion). In SFY 2000, at least $2.3 billion in TANF funds (including funds transferred to SSBG) was spent on child welfare

services. In addition, the influx of TANF funds (an additional $1.4 billion between SFY 1996 and 2000) allowed states to expand or create support programs (e.g., assisted guardianship programs, in-home services) for children and families involved with child welfare systems.

- **Welfare reform had clear impacts on child welfare financing.** State administrators reported a decline in the number of IV-E-eligible children in out-of-home placements because of the link to AFDC. Spending on title IV-E foster care maintenance payments declined by 6 percent between SFY 1998 and SFY 2000. Administrators reported that to make up for this decline, states relied more heavily on TANF funds to care for children who were ineligible for IV-E assistance, reducing the burden on state funds. With the 15 percent cut in SSBG brought on by welfare reform, spending declined by 19 percent between SFY 1996 and 2000 (excluding TANF transfers to SSBG). Similarly, SSI spending declined by 16 percent between SFY 1998 and 2000.

Discussion

Welfare Reform and ASFA

The fiscal impacts of welfare reform on child welfare are clear, including a $1.4 billion increase in TANF spending. But other impacts are not so clearly seen. The changes to federal funding streams brought about by welfare reform changed the decisionmaking process that states follow to get the most out of all the resources available to them. Some states and localities took the opportunity that welfare reform presented to blend the goals of self-sufficiency and child protection. Within this vision, maximizing federal funds frees up state funds to be used for other purposes, including child protection and prevention efforts, such as services to assist families with self-sufficiency.

The creation of joint units or services to assist dual-system families (i.e., those involved with welfare and child welfare) is another effect not so clearly gleaned from the financing data. Although most families receiving welfare assistance are not involved with the child welfare system, historically, more than half of all foster children come from families eligible for welfare assistance (U.S. House of Representatives 2000). Some welfare and child welfare agencies have used welfare reform as an opportunity to collaborate on creating services specifically for these clients (Andrews et al. 2002). Moreover, the creation and flexibility of TANF funds allowed states to fund support services and permanency options for those children and families involved with the child welfare system, or at risk for involvement with it.

However, not all the effects of welfare reform on child welfare agencies have been positive. The maintenance of the link between title IV-E and AFDC (which no longer exists) is problematic, and almost all administrators spoke of declining title IV-E penetration rates because of it. A few administrators also spoke of the administrative burden in determining eligibility based on this link. Administrators all expressed a desire to change the status quo, but all equally recognized that a win-win situation would be difficult to achieve. Most administrators acknowledged that adjusting the need standards for inflation would temporarily assist them, but agreed that a more permanent solution is necessary in the future—whether it be delinking title IV-E eligibility from AFDC, linking title IV-E eligibility to TANF eligibility standards, or another solution that removes the perceived incentive to place children in foster care to receive federal funds and makes more funding available to prevent placements. Without some change, penetration rates will continue to decline and states will seek other sources (including other federal funding streams) to compensate for the loss in title IV-E funds.

ASFA placed increased emphasis on keeping children safe and moving them out of foster care more swiftly, which affected where resources were focused. To this end, there were increases in spending on adoptions and other services, including support services for permanency and prevention of placements. As states continue in their efforts to comply with ASFA mandates, spending in these areas should increase. However, there is some interaction with welfare reform here. The influx of TANF funds allowed states to compensate for declines in SSBG, SSI, and title IV-E foster care maintenance funds. The flexibility of TANF presented states with a large source of funds that could be used for preventive and adoption services, in addition to out-of-home placements. However, it may be difficult to maintain funding for these types of services if child welfare agencies do not continue to have access to TANF funds.

Financing Child Welfare during a Recession

This paper presents an almost rosy picture of child welfare financing. At the time we conducted our survey, states had greater access to certain federal funds, the economy and state revenue collections were booming, and child welfare spending on services to prevent placements was on the rise. However, the data that led us to these conclusions are from SFY 2000. The combination of the recession and the events of September 11 has forced most states to cut spending on social services (Carey 2002). In addition, the last quarter of SFY 2002 was the fourth consecutive quarter with declining state revenues (Jenny 2002).

On the basis of the administrator phone interviews, we know that child welfare financing has already changed in many states. In addition to declines in state funding, administrators spoke about declines in TANF funding for child welfare services in SFY 2002 and proposed declines in SFY 2003. Many were concerned that the strides that had been made in the last few years to provide an array of support services would be lost as state budgets were squeezed. The effects of welfare reform and ASFA on child welfare financing remain to be seen as states seek to work in these lean times.

Notes

1. For the purposes of this paper, the District of Columbia is treated as a state.
2. The original amount published was $15.6 billion, but states made adjustments to their SFY 1998 data during the third round.
3. Between 1991 and 1996, many children were determined SSI-eligible on the basis of the individual functional assessment. States have an incentive to have children receive SSI benefits instead of foster care payments, because unlike title IV-E foster care funds, states are not required to match federal SSI funds.
4. See Geen, Waters Boots, and Tumlin (1999) and Bess, Leos-Urbel, and Geen (2001) for a more detailed discussion of the methodology.
5. Data presented in earlier reports may not be accurate because states have updated their SFY 1996 and 1998 data.
6. Caseloads declined about 1 percent in that time period.
7. Thirty-six states provided data for federal, state, and local funds; however, 14 states that were not able to provide local expenditures were included in this analysis because they are state-administered and the amount of spending from local sources is assumed to be minimal in this type of structure. Data from 45 states show that in SFY 1998, federal funds accounted for 45 percent of total spending; state funds, for 42 percent; and local funds, for 13 percent.
8. States were requested to categorize spending in four uniform groupings we created. The variety of accounting methods states use to track their spending means that some states were unable to categorize all expenditures according to the Urban Institute's uniform categories. Changes over time in spending by use are not presented because of the small number of states able to provide these data consistently in two rounds.
9. States were requested to categorize spending on payments, administration, and support services associated with children in out-of-home placements or adoptive placements in the out-of-home placements or adoption categories. Support services refer to those services, aside from payments to assist with care, meant to improve the child's well-being (e.g., mental health services, tutoring) and maintain the child's safety (e.g., child care).
10. By dedicated, we mean funding streams created primarily for child welfare activities.
11. Special needs children must be AFDC- or SSI-eligible to qualify for federally matched adoption assistance payments. Section 473(c)(2) of the Social Security Act defines a special needs child as a child with "a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance under this section or medical assistance under title XIX." States have discretion in defining special needs (e.g., special needs may include religion) and determining eligibility.
12. There are distinct differences between the data required by DHHS and the question in our survey. Our data were not meant to provide definitive rates, but to provide another source of understanding of the variation of states' use of title IV-E and the strategies they use to maximize all resources.
13. Amounts do not add up because of rounding.
14. Promoting Safe and Stable Families was reauthorized for five years in 2002 for $505 million (of which $200 million is a discretionary authorization), with two additional program components. Congress appropriated (i.e., states actually get) $375 million to continue the program. In addition, $60 million in discretionary funds was authorized for educational and training vouchers for youth leaving foster care. An additional $67 million was authorized for FFY 2002 and 2003 to support mentoring programs for children with incarcerated parents (funding is authorized at "such sums as necessary" in years beyond SFY 2003). Funds were not appropriated for either of the two additional components.
15. The 1999 Child Welfare Survey collected combined title IV-B data; spending from subpart 1 was not separated from spending from subpart 2. Therefore, we cannot present changes between SFY 1998 and SFY 2000 for each program individually.
16. States must spend at least 75 percent of what they spent in FY 1994 to meet the Maintenance of Effort (MOE). They must spend at least 80 percent if they do not meet the work requirements.

17. Activities must meet one of the four purposes of the TANF program or have been in the state's approved Aid to Families with Dependent Children (AFDC) plan as it was in effect on September 30, 1995, or August 16, 1996.
18. The 1999 Child Welfare Survey did not ask states to report TANF funds that had been transferred to SSBG and used for child welfare purposes; therefore, the comparison between SFY 1998 and SFY 2000 underestimates the increase in TANF spending.
19. We do not include TANF spending on cash assistance payments provided to relative caregivers in child-only cases.
20. SSBG funds without the TANF transfer were not available for SFY 1998; we did not ask states to separate the transfer from pure SSBG funds. Therefore, we cannot provide a true measure of the change in SSBG funding between SFY 1998 and 2000.
21. The true amount is probably less than $897 million. Thirteen states that received a TANF transfer were unable to provide the amount; therefore, the $631 million in transferred TANF funds that states identified underestimates the transferred amount.
22. TANF funds transferred to SSBG may only be used on families whose incomes are no higher than 200 percent of the federal poverty level.
23. Section 1614 (a)(3)(C)(i) of the Social Security Act, as amended by PRWORA (1996).
24. Spending on other services in SFY 1998 was $1.4 billion when adjusted for inflation.
25. Spending on adoption was $1.4 billion in SFY 1998 when adjusted for inflation.

References

Andrews, Cynthia, Roseana Bess, Amy Jantz, and Victoria Russell. 2002. "Collaboration between State Welfare and Child Welfare Agencies." Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Policy Brief A-54.

Bess, Roseana, Jacob Leos-Urbel, and Rob Geen. 2001. *The Cost of Protecting Vulnerable Children II: What Has Changed Since 1996?* Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 46.

Carey, Kevin. 2002. "States Cut Spending in FY 2002 and FY 2003, Additional Cuts Likely Unless New Revenues Are Raised." Washington, D.C.: Center on Budget and Policy Priorities.

Eilertson, Christine. 2002. *Independent Living for Foster Youth.* Denver: National Conference of State Legislatures.

Geen, Rob, Shelley Waters Boots, and Karen C. Tumlin. 1999. *The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending.* Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 20.

Jenny, Nicholas W. 2002. "State Tax Revenue Decline Accelerates." Albany, NY: Rockefeller Institute of Government.

U.S. Department of Health and Human Services. 2000. "The AFCARS Report (3)." http://www.acf.dhhs.gov/programs/cb/publications/afcars/ar0400.pdf. (Accessed July 2002.)

———. 2001. "The AFCARS Report (6)." http://www.acf.dhhs.gov/programs/cb/publications/afcars/june2001.pdf. (Accessed July 2002.)

———. 2002a. "Revised Foster Care Estimates." http://www.acf.dhhs.gov/programs/cb/dis/afcars/cwstats.html. (Accessed July 2002.)

———. 2002b. "National Child Abuse and Neglect Data System (NCANDS): Summary of Key Findings from Calendar Year 2000." http://www.calib.com/nccanch/prevmnth/scope/ncands.cfm. (Accessed July 2002.)

U.S. House of Representatives, Committee on Ways and Means. 1998. *1998 Green Book.* Washington, D.C.: U.S. Government Printing Office.

———. 2000. *2000 Green Book.* Washington, D.C.: U.S. Government Printing Office.

Waters Boots, Shelley, Rob Geen, Karen C. Tumlin, and Jacob Leos-Urbel. 1999. *State Child Welfare Spending at a Glance: A Supplemental Report to the Cost of Protecting Vulnerable Children.* Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 20, Supplemental Report.

Appendix Table

Appendix Table A1. SFY 2000 State-by-State Data

State	Total Spending	Change	Federal Spending	Change	Title IV-E	Change	Title IV-B[a]	Change	TANF[b]
Alabama	192,865,312	84.88%	71,540,146	21.46%	18,733,183	33.60%	10,458,107	–3.66%	9,190,191
Alaska	49,621,390	104.72%	24,910,573	85.01%	13,357,793	50.90%	443,181	–57.46%	3,957,500
Arizona	223,929,045	9.00%	134,166,149	44.34%	57,664,061	–3.19%	9,636,641	16.35%	18,256,588
Arkansas	74,726,779		46,027,728		36,123,592		5,262,286		3,105,105
California	3,200,943,000	17.96%	1,432,573,000	35.86%	1,038,997,000	8.69%	70,655,000	3.23%	167,070,000
Colorado	359,733,736	27.38%	171,965,803	52.13%	48,065,945	13.44%	6,325,703	–17.52%	460,946
Connecticut	549,070,654	107.80%	130,426,482	68.75%	116,490,769	70.94%	4,806,389	21.30%	0
Delaware	47,547,429	32.89%	19,246,270	31.54%	11,498,696	50.59%	1,437,895	23.67%	0
D.C.	147,119,620	26.01%	71,888,466	57.56%	42,789,216	1.03%	1,445,833	74.33%	11,000,000
Florida	691,385,561	34.44%	421,657,591	15.35%	174,321,566	19.35%	25,022,728	–10.85%	13,890,844
Georgia	313,370,538	24.41%	156,637,563	51.97%	68,416,932	42.11%	17,171,792	14.28%	26,742,002
Hawaii	53,539,765	6.98%	37,965,301	59.47%	25,724,623		2,183,333		1,000,000
Idaho	46,941,508	6.24%	34,187,708	7.66%	8,919,832	1.61%	2,481,924	39.70%	15,672,100
Illinois	1,403,017,000	–5.94%	622,143,514	3.33%	345,299,608	2.75%	21,932,996	65.84%	68,800,000
Indiana	347,569,722	–8.88%	95,208,424	–11.23%	56,455,898	–14.86%	10,306,761	–8.90%	3,920,177
Iowa	308,956,871	27.38%	156,560,327	28.79%	53,802,926	37.16%	4,072,683	–1.78%	29,021,282
Kansas	172,185,030	42.34%	127,307,191	91.08%	38,674,645	93.23%	5,108,337	20.14%	48,322,853
Kentucky	270,772,981	38.22%	102,178,520	24.20%	53,973,145	11.47%	8,513,682	2.91%	10,048,600
Louisiana	204,714,290	9.03%	118,929,179	8.80%	63,309,846	5.49%	13,765,157	7.45%	0
Maine	63,968,085		55,211,229		45,845,123		2,490,000		3,000,000
Maryland	355,526,643	23.83%	164,003,824	10.69%	107,371,772	35.30%	7,415,088	–2.00%	20,455,831
Massachusetts	637,212,620	21.71%	208,361,315	–15.33%	80,095,540	–26.79%	9,409,110	16.23%	0
Michigan	814,346,228	38.00%	498,704,698	66.73%	226,007,315	18.49%	19,587,881	–2.62%	157,896,173
Minnesota	499,122,487	11.04%	191,677,520	18.58%	90,425,068	24.19%	7,403,531	–1.32%	6,347,443
Mississippi	50,264,177	–2.36%	35,471,706	–4.46%	17,219,082	–7.13%	5,633,964	24.44%	40,883
Missouri	480,671,688	32.02%	279,668,680	12.97%	85,670,663	0.37%	11,645,185	86.39%	21,712,023
Montana	39,851,000	4.93%	18,811,000	44.03%	13,119,000	40.82%	1,582,000	–23.40%	1,311,000
Nebraska	98,877,519	32.38%	29,062,132	26.87%	26,939,592	27.54%	2,122,540	18.99%	—
Nevada	71,758,924	64.12%	36,547,346		16,991,409		2,647,512		2,502,837
New Hampshire	63,621,487	24.74%	27,051,867	22.62%	12,819,285	–1.08%	871,935	–48.14%	9,669,847
New Jersey	446,673,656	18.13%	197,520,933	21.47%	77,916,890	32.55%	10,494,000	10.89%	39,601,000
New Mexico	63,652,498	–3.67%	39,624,498	–1.91%	24,190,027	31.99%	2,832,325	–24.89%	0
New York	2,206,199,199		1,322,199,199		572,698,000		14,532,000		429,000,000
North Carolina	277,965,088	37.25%	176,396,019	80.37%	70,842,005	9.30%	14,482,931	142.26%	—
North Dakota	30,064,681		23,928,726		8,258,155		622,993		9,030,842
Ohio	810,072,802	28.25%	349,891,776	17.90%	302,885,666	24.16%	22,194,777	52.15%	—
Oklahoma	131,333,096		82,231,629	43.82%	20,630,654	50.74%	7,815,784	–7.98%	0
Oregon	256,817,029	22.96%	149,562,241	24.51%	45,345,728	38.77%	5,564,893	–2.27%	33,171,053
Pennsylvania	1,242,805,776	16.57%	581,481,573	27.09%	326,260,947	5.70%	9,406,272	–8.73%	232,763,712
Rhode Island	189,208,701	20.38%	76,706,480	17.82%	17,663,129	–2.23%	2,023,830	63.33%	7,966,616
South Carolina	194,752,827	11.48%	121,636,827	16.50%	26,164,804	–4.68%	8,009,623	2.50%	13,405,300
South Dakota	32,130,212	8.78%	19,738,319	8.40%	6,392,899	43.49%	759,781	–17.45%	4,286,242
Tennessee	378,515,341	16.43%	155,831,637	–13.87%	34,585,893	–18.21%	10,779,617	–9.07%	0
Texas	644,782,816	30.80%	403,936,393	54.29%	118,199,488	27.15%	48,042,634	18.59%	164,096,429
Utah	122,707,370	9.83%	61,603,932	24.02%	24,174,197	6.56%	4,777,918	6.26%	2,937,000
Vermont	60,992,231	25.44%	38,728,070	26.12%	17,639,504	31.10%	1,351,339	–0.23%	3,494,960
Virginia	123,579,118	16.47%	65,897,338	8.05%	57,049,271	20.10%	8,848,066	–34.38%	0
Washington	381,343,604	15.11%	183,589,143	24.58%	41,750,954	42.58%	11,981,972	25.50%	16,813,867
West Virginia	137,026,251	9.93%	80,475,199	27.51%	21,234,427	20.48%	4,787,577	–6.69%	35,142,136
Wisconsin	415,507,211	10.60%	211,507,211	11.16%	110,156,545	21.18%	9,129,341	4.28%	28,555,220
Wyoming	18,307,699		11,634,898	–6.87%	2,491,376	–35.41%	864,224	–7.28%	942,957
U.S. Total	**19,997,668,295**	**20.24%**	**9,874,213,293**	**25.25%**	**4,921,653,684**	**13.24%**	**491,141,071**	**9.02%**	**1,674,601,559**
		N = 45		N = 46		N = 45		N = 45	

Source: 1999 and 2001 Urban Institute Child Welfare Surveys.

Note: U.S. spending totals are based on data from all 51 states. 0 = state does not use funding stream; — = state uses funding stream but could not provide data. Changes are adjusted for inflation and based on sample sizes noted. Percent changes left blank could not be calculated because of missing or incomplete data, or because the state did not use the funding source in SFY 1998 or SFY 2000.

a. Title IV–B represents subparts 1 and 2 combined. The 1999 survey did not break out spending from each subpart, therefore change over time represents change in spending from the two subparts combined.

Assessing the New Federalism

Change	SSBG[b]	Change	Medicaid	Change	SSI	Change	State Spending	Change	Local Spending	Change
19.53%	19,922,542	40.92%	12,405,249	7.06%	—		120,102,195	164.52%	1,222,971	6,872.11%
	5,429,033		381,774	64.74%	991,500	–67.20%	24,710,817	129.36%	0	0.00%
156.89%	47,829,660	390.67%	—		450,029	–5.83%	89,762,896	–20.20%	—	
	1,305,354		109,305		—		28,699,051		0	
31,834.80%	111,000,000		37,315,000	43.36%	—		1,015,801,000	5.25%	752,569,000	8.44%
–78.96%	59,490,429	66.86%	56,846,950	128.80%	—		135,419,588	–0.54%	52,348,345	57.59%
0.00%	4,407,387	21.50%	0	0.00%	691,467	–34.81%	418,644,172	123.95%	0	
0.00%	2,534,931	2.69%	458,077	–60.09%	570,170	194.78%	28,301,159	33.83%	—	
	1,213,747	–27.26%	14,182,801	3485.17%	647,245	75.50%	75,231,154	5.77%	0	0.00%
	188,095,796	8.82%	11,176,706	25.22%	6,559,653	17.79%	269,727,970	81.36%	—	
	27,783,270	33.20%	14,334,278	–16.79%	0		155,019,407	5.56%	1,713,568	–12.27%
	8,621,578		—		—		15,574,464	–40.65%	—	
106.38%	7,033,000	–41.48%	80,852	–52.42%	—		12,753,800	2.60%	—	
–2.91%	102,763,438	10.12%	43,821,595	–27.43%	14,407,000		780,873,486	–12.21%	—	
96.36%	13,120,458	–26.92%	1,839,245	128.21%	—		5,740,796	0.13%	246,620,502	–8.14%
47.32%	17,482,509	9.67%	47,931,343	23.76%	3,270,615		152,396,544	25.96%	—	
	7,473,072	–69.39%	15,818,240	–4.06%	—		44,877,839	–17.42%	—	
	23,152,287	–7.36%	0	0.00%	3,746,067		168,594,461	48.37%	0	0.00%
0.00%	34,217,524	11.61%	0	0.00%	2,552,844	–36.31%	85,785,111	9.35%	0	0.00%
	807,000		1,117,549		821,289		8,756,856		0	
2803.51%	18,752,018	–61.51%	7,917,183	–21.47%	—		191,522,819	37.84%	—	
0.00%	88,271,570	–13.36%	22,450,500	21.02%	5,316,615	17.97%	428,851,305	54.56%	0	
298.04%	84,143,817	84.99%	—		3,148,128	1.43%	266,793,485	9.66%	48,848,045	2.43%
–40.17%	20,872,074	16.76%	39,105,821	35.86%	—		110,722,578	37.83%	196,722,389	–5.20%
	11,305,531	–8.03%	—		—		14,792,471	3.05%	—	
–24.74%	31,764,816	–17.96%	20,754,420	325.67%	3,416,001	–19.19%	200,819,845	72.32%	183,163	0.00%
27.28%	2,068,000		0	–100.00%	—		18,164,000	–20.42%	2,876,000	37.21%
	—		—		—		69,815,387	34.81%	—	
	3,536,487		8,601,481		—		35,211,578		—	
95.13%	2,046,614	98.05%	414,945		513,789	–5.91%	25,928,413	28.07%	10,641,207	22.36%
79.28%	22,820,000	–26.25%	41,416,000	16.16%	2,710,288	–34.46%	249,152,723	15.61%	0	
0.00%	3,525,691	–44.74%	8,015,991	–4.74%	872,361	–29.42%	24,028,000	–6.43%	0	0.00%
	298,000,000		0		—		592,000,000		292,000,000	
	—		—		—		42,730,646	–11.87%	58,838,423	4.61%
	1,543,339		3,518,730		—		4,766,380		1,369,573	
	23,156,337	–36.15%	1,057,816	–22.23%	—		104,666,749	17.30%	355,514,277	44.72%
	21,992,000	43.84%	27,314,123	57.91%	2,446,572	24.32%	49,101,467		0	0.00%
58.12%	15,097,615	–22.64%	47,139,675	31.86%	2,669,245	–36.05%	107,254,788	20.87%	—	
87.73%	10,038,582	–12.11%	2,709,148	23.99%	—		482,390,748	13.56%	178,933,455	–2.67%
–2.81%	0	0.00%	42,776,408	30.37%	885,710	–13.84%	112,502,221	22.19%	0	0.00%
247.01%	18,004,236	53.82%	52,950,000	5.16%	1,813,000	–28.17%	73,116,000	4.87%	0	–100.00%
11.15%	4,829,509	6.87%	2,012,728	–21.13%	549,895	–10.81%	12,391,893	9.38%	0	0.00%
	26,598,531	–4.06%	73,771,482	–11.35%	1,193,257		222,683,704	54.45%	—	
188.62%	58,704	–99.79%	53,209,007	57.26%	6,304,807		235,344,174	3.99%	5,502,249	14.12%
452.18%	7,912,800	–13.60%	19,743,044	78.19%	673,636	–6.91%	61,103,438	–1.53%	0	0.00%
308.82%	5,884,713	60.26%	9,599,746	7.50%	656,065	2.08%	22,264,161	24.27%	0	0.00%
0.00%	0	0.00%	0	0.00%	0		33,376,998	51.36%	24,304,782	5.38%
	37,849,970	–8.27%	35,839,238	–7.74%	5,072,135	–32.27%	197,738,894	7.56%	15,567	–81.68%
	18,813,032	21.84%	—		—		56,551,052	–8.09%	0	0.00%
129.12%	61,935,105	–15.31%	671,000		—		204,000,000		—	
156.39%	4,383,319	–5.81%	2,260,783	5.36%	259,593	–23.33%	6,672,801		0	0.00%
168.17%	**1,528,887,425**	**1.76%**	**781,068,233**	**21.13%**	**73,208,976**	**–16.35%**	**7,893,231,484**	**18.13%**	**2,230,223,516**	**8.94%**
N = 39		**N = 42**		**N = 39**		**N = 22**		**N = 43**		**N = 29**

b. TANF spending does not include TANF funds transferred to SSBG; these are included in SSBG spending. Therefore total is TANF spending on child welfare services is underestimated, while total SSBG spending on child welfare services isoverestimated.

State Limitations: Arkansas, Maine, and North Dakota did not provide SFY 1998 data. Illinois SSI data provided for SFY 1998 included survivors benefits. Iowa and Texas SSI data provided for SFY 2000 includes survivors benefits. Nevada only provided total spending for SFY 1998. New York SFY 1998 spending was taken from the 1998 Monitoring and Analysis Profiles, which exclude local, TANF, SSBG, Medicaid, and other federal funds. North Carolina could not provide TANF, SSBG, Medicaid, and SSI data for SFY 2000, but did provide a total for federal spending. Wisconsin state spending includes local spending, but not all local spending is represented.

THE URBAN INSTITUTE

About the Authors

Roseana Bess is a research associate in the Urban Institute's Population Studies Center. She assisted with the design and managed the third round of a survey collecting child welfare expenditure data and current kinship care policies. Ms. Bess also designed and managed a national survey examining state child welfare and welfare agencies' efforts to collaborate. She is currently visiting independent living programs across the United States as part of an evaluability assessment of independent living programs to determine their eligibility and suitability to participate in a national Evaluation of Chafee Independent Living Programs. Before joining the Urban Institute, Ms. Bess was a case manager in a family support program in New York City.

Cynthia Andrews is a research assistant in the Urban Institute's Population Studies Center, where she specializes in research on child welfare, child care, and related child and family well-being issues. In addition to assisting with data collection and analysis of both sections of the Child Welfare Survey, Ms. Andrews was the lead author of a report presenting the findings of a national survey studying the collaboration efforts of state child welfare and welfare agencies. She is also participating in a study examining the experiences of prospective adoptive parents of children in foster care.

Amy Jantz is a research assistant in the Urban Institute's Population Studies Center. In addition to her work on the financing section of the Child Welfare Survey, she led the analysis of the kinship care policy section. She is currently completing a report on how state and local kinship care policies and practices affect children and their kinship caregivers. Ms. Jantz is also participating in a study examining the experiences of prospective adoptive parents of children in foster care.

THE URBAN INSTITUTE

Victoria Russell is a research associate in the Urban Institute's Income and Benefits Policy Center. In addition to her work on the financing section of the Child Welfare Survey, she assisted with data collection and analysis of the kinship care policy section. She is currently working on the Welfare Rules Database, a longitudinal database tracking state AFDC/TANF policies. Before her work with the Urban Institute, Ms. Russell worked as a domestic violence specialist in Vermont's child welfare agency.

Rob Geen is a senior research associate in the Urban Institute's Population Studies Center specializing in child welfare and related children, youth, and family issues.

Nonprofit Org.
U.S. Postage
PAID
Permit No. 8098
Mt. Airy, MD

The Urban Institute

2100 M Street, N.W.
Washington, D.C. 20037

Phone: 202.833.7200
Fax: 202.429.0687
E-Mail: paffairs@ui.urban.org
http://www.urban.org

Occasional Paper

BEST COPY AVAILABLE

NOTICE

Reproduction Basis

X	This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.
	This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").