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COVID-Era Child Welfare Financing Lessons for a Post-Pandemic World

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Introduction

The COVID-19 pandemic caused an unprecedented global health crisis that disrupted daily life and presented unique challenges to child welfare agencies across the United States. Child welfare agencies contended with complex decisions on how, when, and if to transition to providing remote services; how to address staffing shortages; the need for investment in personal protective equipment (PPE) for caseworkers and/or investment in remote work infrastructure; and how to address compounded difficulties in recruiting and retaining foster parents. Decisions were influenced by federal legislation that provided flexibility and resources to states to mitigate the impacts of the pandemic (see Appendix). Child welfare agencies across the country had to quickly respond to the evolving needs of both their staff and the children and families they serve by leveraging new federal funding streams and newly available flexibilities within existing streams.

Child Welfare Financing Survey SFY 2020

This brief is one of many child welfare financing resources available on the Child Trends website, including a report presenting findings from a national survey of child welfare agencies, state-specific resources, and funding-source specific resources.

While federal officials declared the public health emergency over in 2023, the pandemic response yielded important lessons and best practices related to child welfare financing that can be carried forward into non-pandemic times. The State Fiscal Year (SFY) 2020 Child Welfare Financing Survey, conducted by Child Trends with support from the Annie E. Casey Foundation and Casey Family Programs, provided some insight into this topic.[i] In particular, the survey asked states about how the pandemic had impacted child welfare agency expenditures and whether it had contributed to any new or creative uses of funding. National findings are available in the SFY 2020 Child Welfare Financing Survey report.

For this brief—and to more fully explore the financing-related lessons that emerged during this time of great disruption—Child Trends identified and interviewed child welfare agency staff from five states that completed the SFY 2020 Child Welfare Financing Survey to discuss, in more detail, how they navigated the impact of the COVID-19 pandemic on child welfare financing. The brief summarizes lessons learned that emerged during the pandemic that can be carried forward into the future.

Methodology and Data

Inspired by the themes that emerged from states' responses to the COVID-19 pandemic-related questions from the SFY 2020 fielding of the Child Welfare Financing Survey,[1] Child Trends conducted interviews and focus groups with five states to further explore how child welfare financing was impacted by the pandemic.

[1] The specific COVID-related questions asked on the Child Welfare Financing Survey can be found in the appendix of the SFY 2020 Child Welfare Financing Survey report.

Child Trends and the Annie E. Casey Foundation jointly determined which states were invited to participate in an interview or focus group. States were selected to represent (1) a diversity of responses to the COVID-related survey questions, (2) examples of interesting or unique strategies to overcoming pandemic-related challenges, and (3) diversity in state characteristics (i.e., geography, population size). Child Trends spoke with child welfare agency leadership and staff from Arizona, Mississippi, New Mexico, Ohio, and South Carolina. During interviews and focus groups, states were asked to update and expand upon information they shared in their responses to pandemic-related survey questions. We transcribed notes from each interview and focus group and identified lessons learned for inclusion in this brief.

Findings

State child welfare agencies can advance financing best practices in response to a crisis.

During the COVID-19 pandemic, child welfare agencies generated new strategies for coordinating available federal funding streams, each with their own requirements, reporting, and timeframes. Tasked with using newly available federal relief dollars to alleviate the urgent needs of children and families involved with the child welfare system, some child welfare agencies sought to improve how they make decisions about, and track, funding.

Improving financial infrastructure

Multiple states used the pandemic's status quo disruption to invest in their child welfare agency's financial infrastructure. For example, faced with new reporting and accounting requirements as a result of the influx of COVID-19 relief dollars, New Mexico determined it needed to invest in an updated accounting system. This new system will allow the state to more precisely and clearly reconcile expenditures. New Mexico also used its FMAP savings to partner with a new vendor to better track how the state makes claims for Title IV-E, the largest federal funding stream for child welfare agencies. In Mississippi, the child welfare system also used the pandemic's disruption to advance its plans to separate from its old agency (Mississippi Department of Human Services) to become a separate new agency (Mississippi Department of Child Protective Services)—something that had been in the works for nearly a decade. The pandemic and associated increased funding brought agency staff together and provided the impetus to separate from their former agency. Now, as a separate agency, the Mississippi Department of Child Protection Services has a full staff and new structures that allow them to streamline their accounting processes. In particular, they can now submit their own child welfare-specific cost allocation plans for federal funding sources that enable them to draw down additional funding to provide more opportunities for the state, agency, and children they serve.

Enhancing collaboration on making funding decisions

Multiple states described increasing levels of communication both within their agency and with other agencies in their state to determine how to best meet the needs of children and families. Arizona and South Carolina both described engaging with providers that serve children and families throughout the pandemic to gather feedback on challenges and unmet needs that could be addressed with relief funds. For example, during the pandemic, Arizona needed to identify placements for children who had either tested positive for COVID-19 or who were quarantining and in need of temporary placement. To make this financially possible for providers, the child welfare agency worked with providers to guarantee payment for these placement slots, even when they remained unused. Likewise, if a child needed to be hospitalized or placed elsewhere due to COVID-19, the state continued to pay for that child's placement so they could return to the same provider after recovering. Arizona also worked with providers to apply for federal aid for PPE.

Before the pandemic, South Carolina regularly undertook a financial forecasting process that typically involved the state's finance staff and executive management. During the pandemic, the state built new relief funding into its existing financial forecasting tool and engaged additional individuals in the forecasting process. In particular, South Carolina engaged staff from across its child welfare agency and from the provider community to determine the best use of federal relief funding within the timeframes and restrictions of each funding source. This cross-department collaboration ensured that a spending plan was in place that had proper services to best meet the continuously adapting needs of children, families, and providers throughout the pandemic.

Focusing on revenue maximization

States also prioritized spending down funding sources with a limited shelf life and finding new ways to maximize dollars to ensure they were not leaving any available federal dollars unused. Revenue maximization is important in giving child welfare agencies the necessary resources to meet children and families' needs. Maximizing federal funds frees up more state and local funds, which are more flexible than their federal counterparts. Mississippi described a heavy focus on maximizing federal dollars during the pandemic given the influx of funds and the desire to sustain pandemic-era programs. This prioritization has continued, allowing the state's child welfare agency to provide as much support as possible to children and families. For example, during the pandemic, the state began a kinship navigator program to support kin caregivers and is exploring how Title IV-E funding can be used to sustain the program. Mississippi is also streamlining its Title IV-E eligibility process to be able to draw down more federal funds.

An influx of flexible funds allowed leaders to be more creative, strategic, and bold.

Federal COVID-19 relief efforts created an opportunity for leaders to think about how to use additional federal dollars and flexibilities within existing funding streams to spark positive changes for children and families. Additional and flexible funding allowed states to invest in supports and services they may not have otherwise been able to support.

Flexible funding allowed states to be strategic about communities' needs rather than consider what particular funding sources might allow. Flexibilities let states first think strategically about communities' needs and then figure out how to fund those needs, as opposed to the reverse. In Arizona, flexible federal dollars during the pandemic allowed the state to more quickly respond to communities as challenges arose. For example, using COVID-19 relief dollars, Arizona prioritized supporting youth who had aged out of foster care since the onset of the pandemic. The state channeled funding into its Extended Foster Care (EFC) Program and notified youth who had recently left EFC that they were eligible to re-enter for a limited time. This decision—and targeted investment of funds—allowed Arizona to ensure continued financial, educational, and case management support for youth who would have otherwise had limited support during the pandemic. Arizona respondents shared, "It's like we had the opportunity to put [the relief funds] where it best will serve our community, our constituents, rather than being first concerned about, 'okay, what are all these confines and requirements of the grant?'"

States took calculated financial risks to strengthen agency operations. South Carolina used pandemic relief funds to invest in agency security and IT infrastructure because more staff were working remotely. Agency leaders described this investment as risky because they were unsure about where the funds to sustain these needed infrastructure changes would come from after pandemic relief dollars expired. However, they determined the situation merited a risk because it was something they "can't afford not to do." South Carolina detailed its lessons learned about taking risks, sharing that the pandemic had taught them to "hedge their bets" and assess risk in a reasonable way. This pushed the state to be even more nimble and assess the cost benefit or risk of using relief funds to invest in infrastructure during the pandemic that would create recurring costs in the future.

States advanced best practices they were already considering. The COVID-19 relief dollars and flexibilities allowed states to invest in best practices like kinship care, supports for older youth, concrete supports, workforce supports, and more. For example, South Carolina decided to use additional funds to support older youth during the pandemic to ensure they had concrete supports. Concrete supports—such as housing, food, clothing, and health care—are protective factors that are crucial to family well-being, especially during times of crisis[ii] (Child Welfare Information Gateway, 2023). One interviewee shared their agency's thought-process: "We said, let's look at the basics of Maslow's Hierarchy of Needs and make sure these young people have what they need because of the challenges that COVID-19 had on these young people." Mississippi invested more in kinship supports during the pandemic given the strain on congregate care providers. In addition, Ohio described how an advisory group established prior to the pandemic developed recommendations for improving the child welfare system—recommendations that were finalized during the pandemic. This timing allowed the state to use those recommendations to guide decision making around the use of COVID-19 relief dollars to address children and families' needs during the pandemic. South Carolina also used pandemic relief dollars to advance initiatives that were already planned and would benefit children and families during the pandemic. While other states had to develop priorities while the crisis was unfolding, Ohio and South Carolina were able to maximize their preparedness to leverage swift change. These two states demonstrate that preparedness allows states to be proactive, and not just reactive, in times of disruption.

Additionally, Arizona was able to use relief funds to support implementation of the Family First Prevention Services Act (FFPSA). FFPSA stipulates that Title IV-E can only be used for congregate care settings that meet the criteria to be considered Qualified Residential Treatment Programs (QRTPs), as defined in the legislation (with exceptions). In addition, the legislation encourages states to minimize the use of congregate care settings except when a child's needs require that level of care. Arizona was able to use FMAP savings from FFCRA to incentivize congregate care providers to become accredited as a QRTP. Although Arizona is focused on improving the availability of family-like settings (i.e., kinship placements and family-based foster care), QRTPs allow the state to provide high-quality treatment to children who require a higher level of care. Arizona indicated it could have provided these incentives without the FMAP savings, but that doing so would have required tapping into other funding streams; this would have limited other systems improvements in the state, particularly those that would increase the use of family-based care.

Short timeframes for spending relief dollars promote urgency, but present challenges.

Emergency relief funds and flexibilities came with expiration dates (see Appendix) to urge states to immediately implement changes to promote the well-being of children and families during the pandemic. While the pandemic was a unique national emergency, there are more common scenarios in which states need to respond to unexpected funds (including grants, last-minute appropriation changes, and natural disaster emergency relief). Lessons learned from the pandemic can help states plan how to most effectively use additional dollars when opportunities arise in other contexts.

Short timeframes for spending dollars can limit collaborative decision making. Multiple states described feeling rushed to utilize relief dollars and being forced to make hurried decisions without going through the decision-making process in their preferred way. While some states noted that the influx of relief dollars encouraged them to collaborate with other entities in their state on funding decisions, one state reported that the rush to spend down funds limited the amount of interagency collaboration they had hoped to undertake before making funding decisions.

Short timeframes can also conflict with administrative processes that states must follow. While short timeframes for relief dollars are designed to be protective and encourage agencies to expedite their decision making, Ohio detailed the challenges of utilizing funds with a short lifespan: "It would be nice if [the

federal government] didn't put a timestamp on when we must use those dollars by, because often, we must amend agreements that are in place, stand up new agreements, contracts, memorandums of understanding, data sharing agreements, any number of types of agreements. And that's just not something that we can do very quickly."

Planning ahead can mitigate challenges resulting from short timeframes. To alleviate barriers that arise from short timeframes, states can proactively develop plans to effectively respond to emergencies or seize opportunities in non-emergency contexts. As described above, before the pandemic, Ohio organized an advisory council to develop recommendations to improve its child welfare system. Their recommendations emerged during the pandemic, so when COVID-19 relief dollars became available, the state was able to draw upon the recommendations to strategically guide its emergency response. To apply this lesson in non-emergency contexts, child welfare agencies can collaborate with other agencies, providers, and individual members of the communities being served to clearly document a strategy to guide their work. Thoughtfully developing a strategy during non-crisis times allows leaders to fully explore the potential positive and negative implications of different plans on the children and families they serve, thus enabling agencies to take a nimble and equitable response to future emergencies or opportunities.

Short-term funding can provide the impetus for sustainable change.

During the pandemic, states had to consider whether to use time-limited relief dollars for one-time investments or invest in supports that would require ongoing funding past the expiration of the relief dollars. As South Carolina explained, "That's another big challenge, just trying to find that spot where we can use this [federal funding] that aligns with the allowable expenditures of these dollars, but doesn't set us up for something where the emergency declaration ends, and these dollars are no longer available. And one thing that you can't do (typically, or it's very difficult to do) is after you raise, for instance, rates or salaries or whatever it is, to walk that back, particularly during a time where inflation, and wage inflation, is in play. […] So we had to be very strategic about that." States that did invest in supports requiring funding past the expiration of relief dollars had to assess the risk of securing future funding against the immediate benefit of providing supports to child welfare staff, providers, and children and families.

Some activities and supports funded via relief dollars were designed to not be sustainable. Some supports—such as increased educational stipends for youth; payments to providers to reserve beds for children with, or exposed to, COVID-19; and child welfare staff remote-work flexibilities—represented short-term investments to mitigate the immediate challenges faced by agency staff, providers, and youth during the pandemic. As such, states are phasing out these supports by design.

However, other ongoing activities and supports were funded or enhanced with relief dollars despite the risk to sustainability. Despite the risks and challenges associated with using relief dollars for efforts that require long-term financial investments from a state, each state we spoke with was optimistic about long-term sustainability—at least in regard to some investments. States indicated wanting to sustain the provision of concrete supports, supports for older youth, kinship navigator programs, mental health and substance use treatment, increased rates for providers, and more. For example, leaders in Ohio said, "We tried to be very aware and diligent about any type of federal dollars or any type of one-time funding through COVID-19 that was received. We looked at it from a 'How can we use this to stand up something and then continue on with state general revenue fund dollars?' [perspective]. Oftentimes it costs a lot more to stand it up, but sustaining it and maintaining it is a little easier."

States identified strategies to sustain practices funded with relief dollars. Multiple states described a commitment to not only sustain pandemic-era changes, but to grow them in the years to come. When asked about the root of this optimism, states identified several facilitators for sustainability:

- Leadership support and buy-in around changes and investment priorities
- The ability to track and demonstrate how services provided are making a positive impact on children and youth's well-being, along with projected long-term financial savings for the agency
- Refreshed motivation to creatively maximize federal dollars whenever possible to promote sustainability
- A commitment to increased collaboration within, and between, agencies and departments to establish shared priorities and goals

Conclusion

The COVID-19 pandemic was a time of great uncertainty and disruption, and child welfare agency leaders and staff responded in unique and creative ways to ensure the safety and well-being of children and families. A forced deviation from the status quo and an influx of federal relief dollars and flexibilities allowed states to both respond to children and families' immediate, evolving needs and to consider strategic investments in long-term priorities. States' lessons learned, summarized in this brief, remain relevant in a post-COVID-19 world. The pandemic demonstrated that crises can be harnessed to spark or accelerate positive change, that large amounts of flexible funding can facilitate creative and strategic thinking, and that short-term or one-time funding and flexibilities can stand up sustainable practices given the appropriate context. These lessons need not be applicable only in a pandemic. Disruptions can be carefully planned (e.g., via advocacy campaigns that put pressure on decision makers) or prepared for (e.g., via thoughtful and inclusive strategic planning). Governments and the philanthropic community can consider ways to balance accountability with the provision of large amounts of flexible funds, and to initiate one-time infusions of funding to spark long-lasting change.

While it is tempting to return to pre-pandemic operations and ways of thinking, we encourage readers to reflect on the lessons the pandemic provided us. For instance:

- What did we do differently during the pandemic that we want to sustain? Do we have any evidence that it worked? Do we have a champion for that practice? How much will it cost to sustain that practice?
- What do we want to plan for in another emergency context?
- Are there advocates, reporters, or others who can help elevate important issues to create opportunities for change?
- What is our strategic plan for improving the child welfare system? Have we received buy-in and input from outside the agency? Are we incorporating opportunities for families and communities to plan with us? Have we considered positive and negative impacts of the ideas being proposed? Are we ready to respond quickly when new opportunities arise?
- How can we obtain flexible funds to promote creativity, strategic thinking, and risk-taking on an ongoing basis?

We hope these questions help our readers identify roles they can play in advancing the child welfare financing-related lessons from the pandemic.

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Appendix

Child Welfare-Related COVID-19 Pandemic Legislation

Act	Description	Timeline
Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	Appropriated an additional $45 million for child welfare services as part of Title IV-B of the Social Security Act, without a required non-federal match. Authorized, among other provisions, the development of a broad-based federal relief fund from which state and local agencies could apply for relief payments.	• Passed: Mar. 2020 (funds could be applied retroactively starting Jan. 20, 2020) • Obligated by: Sept. 30, 2021 • Liquidated by: Dec. 31, 2021
Families First Coronavirus Response Act (FFCRA)	Increased states' Federal Medical Assistance Percentage (FMAP) rate by 6.2 percentage points from Jan. 2020 through Mar. 2023, meaning that the federal government paid for a larger share of costs for some child welfare-related expenditures.	• Passed: Mar. 2020 • FMAP rates currently phasing down, ending Jan. 1, 2024
Supporting Foster Youth and Families Through the Pandemic Act	Increased federal reimbursements for the Title IV-E Prevention Program and Kinship Navigator Program, provided funding flexibility for Kinship Navigator Programs, increased supports for older youth (including increasing the age of eligibility for support and additional housing support), and provided additional funding for Title IV-B.	• Passed: Dec. 2020 • Funds and flexibilities expired: Sept. 30, 2021
American Rescue Plan Act (ARPA)	Appropriated funds for jurisdictions to use to respond to the pandemic, which could include a wide range of child welfare services and supports. Included supplemental funding for the Community-Based Child Abuse Prevention (CBCAP) program and Child Abuse Prevention and Treatment Act (CAPTA) grants.	• Passed: Mar. 2021 • Obligated by: Dec. 31, 2024 • Liquidated by: Dec. 31, 2026

Note: Obligating funds means committing funds to a purpose, while liquidating funds means the funds have been utilized.

References

[i] Rosinsky, K., Fischer, M., & Haas, M. (2023). *Child Welfare Financing SFY 2020: A survey of federal, state, and local expenditures.* Child Trends. doi: 10.56417/6695l9085q. https://www.childtrends.org/publications/child-welfare-financing-survey-sfy2020

[ii] Child Welfare Information Gateway. (2023). Concrete Supports to Promote Child and Family Well-Being. Washington, D.C.: U.S. Department of Health and Human Services, Children's Bureau. https://www.childwelfare.gov/topics/systemwide/well-being/concrete-supports/