EXECUTIVE SUMMARY

Child Welfare Financing SFY 2020

A survey of federal, state, and local expenditures

Kristina Rosinsky, Megan Fischer, and Maggie Haas

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Executive Summary

Child welfare agencies across the United States are charged with protecting and promoting the welfare of children and youth who are at risk of or who have been victims of maltreatment. State and local child welfare agencies rely on multiple funding streams to administer programs and services. While many funding sources are available to child welfare agencies, each source has its own unique purposes, eligibility requirements, and limitations creating a complex financing structure that is challenging to understand and administer. Each state's unique funding composition determines what services are available to children and families and the ways in which child welfare agencies operate.

As a result, child welfare administrators, policymakers, advocates, and researchers need accurate, up-to-date information on states' financing, and on the financing-related challenges and opportunities that agencies face in serving children and families. To this end, Child Trends conducted the 12th edition of its national survey of child welfare agency expenditures. This survey asked questions similar to those from previous survey iterations to facilitate the analysis of trends, but also added several new questions; for example, we asked states how they use third party income sources like Social Security payments to offset costs, and about the early impacts of the COVID-19 pandemic and implementation of the Family First Prevention Services Act (Family First Act).

The full report details survey responses and findings. We found that, in state fiscal year (SFY) 2020 (July 2019 to June 2020 for most states), state and local child welfare agencies spent $31.4 billion using a combination of federal, state, local, and other funds. After accounting for inflation, expenditures have been steady over the past decade (i.e., 2010 to 2020), increasing by just 1 percent. As in our previous analyses, we found that most child welfare agency funding comes from state and local (as opposed to federal) sources, and that almost half of child welfare agency expenditures are spent on out-of-home placements. Child welfare agencies continue to spend a relatively small proportion of their dollars on prevention, especially on financial supports and prevention services that focus on mental health and substance use.

While this report captures data from SFY 2020, the survey was completed in 2021 and 2022. The past several years have presented new challenges and opportunities for change within the child welfare system. Three key issues from recent years may impact ongoing shifts to the child welfare financing landscape and are discussed throughout this report: one, the COVID-19 pandemic (which began in early 2020), two, intensified attention to racial equity at a national level and within the child welfare field, and, three, implementation of the federal Family First Act. We recognize the added burden to states in responding to our survey while simultaneously serving children and families during the COVID-19 pandemic. We appreciate the generosity of those who completed the survey despite these added stressors.

This report is one among an array of resources compiled from the survey's findings, which can be found on the Child Trends website. These resources include state-specific resources and detailed information on the following funding sources used by child welfare agencies:

- Title IV-E
- Title IV-B

- Temporary Assistance for Needy Families (TANF)
- Social Services Block Grant (SSBG)
- Medicaid
- Other Federal Funds
- State & Local Funds

Key findings

In keeping with previous iterations of this survey, this report examines child welfare agency expenditures from federal, state, local, and other funding sources for SFY 2020 and analyzes changes over time (after adjusting for inflation). As in prior years, Child Trends requested financial data from all 50 states plus the District of Columbia and Puerto Rico. This year, Georgia, Hawai'i, Idaho, North Dakota, Washington, and West Virginia were unable to participate, resulting in 46 participating states.

- **Total child welfare agency expenditures held steady in recent years, increasing by just 1 percent from SFY 2018 to SFY 2020 and from SFY 2010 to SFY 2020.** Child welfare agencies use federal, state, local, and other funds to finance their work. Decreased expenditures of federal funds and slightly increased expenditures of state and local funds have largely offset one another, leading to steady overall expenditures across the decade.

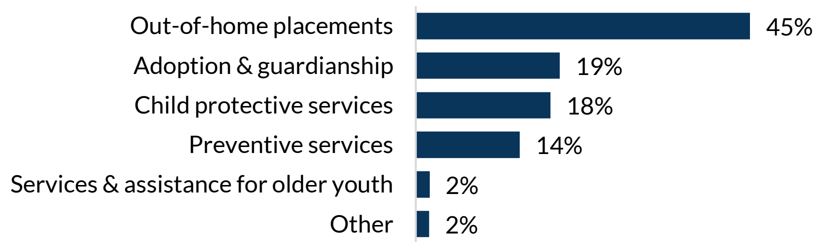
- **Total child welfare agency federal expenditures have decreased over the last decade despite increased expenditures of Title IV-E, Medicaid, and other federal funds**. While total federal spending on children across a variety of sectors increased over the past decade (Hahn et al., 2021), child welfare agencies' expenditure of federal funds has decreased despite increases in some federal funding sources. There are many reasons for the increases in some federal funding streams, including COVID-related legislation that increased the proportion of costs the federal government paid for Title IV-E and Medicaid services and activities; the expansion of existing Title IV-E programs (e.g., the Guardianship Assistance Program) and the creation of new Title IV-E programs (e.g., the Prevention Services Program); and the creation of other federal funding sources (e.g., Coronavirus Relief Fund). However, the increases in Title IV-E, Medicaid, and other federal funds were offset by decreases in TANF, SSBG, and Title IV-B over the decade, due in part to sequestration and stable Title IV-B appropriations that lose value year to year.

- **Child welfare agencies' expenditure trends and financing sources vary greatly among states.** For example, 70 percent of states reported an increase in total spending from SFY 2018 to SFY 2020, while 30 percent reported a decrease. National findings mask extensive state variation in all aspects of child welfare financing, including how expenditures have changed over time; the percentage of expenditures sourced from federal, state, and local funds; the mix of federal sources used; and how the dollars are spent.

- **More than half of child welfare agency spending continues to be financed by state and local sources.** In SFY 2020, 58 percent of all dollars spent by child welfare agencies came from state and local (as opposed to federal) sources. However, this percentage varies significantly among states. For example, Delaware uses state and local funds for 87 percent of its child welfare agency expenditures, but the comparable figure for New Hampshire is just 18 percent. During the past decade, a slightly higher percentage of total expenditures came from state and local funds as opposed to federal funds.

- **As in prior surveys, child welfare agencies reported using almost half of all federal, state, and local expenditures to finance the costs of out-of-home placements, with smaller proportions spent on other services.** Adoption and legal guardianship, child protective services, and preventive services each comprised 14 to 19 percent of total expenditures. A small percentage (2%) was used for services and assistance for older youth. In general, child welfare agencies use federal, state, and local funds in similar ways, although—relative to federal dollars—state and local funds were used more for prevention and child protective services and less for adoption and legal guardianship and out-of-home placements.

Figure ES1. Proportion of total expenditures on categories of services (38 states with sufficient data)



Note: See page 55 for definitions of each of these categories.

- **As in prior surveys, less child welfare agency prevention spending is focused on financial supports, substance use, and mental health services than on other preventive services.** Approximately three quarters of child welfare agency prevention expenditures are on skill-based programs for parents and caseworker visits and administration (including information and referral services). Agencies spend much less on financial supports (such as assistance with transportation, housing, child care, and more), substance use prevention and treatment, and mental health services. While child welfare agencies may not focus their prevention spending on these programs, it is possible that they partner with other agencies (such as health departments) that fund such services.

Role of recent legislation and other policy changes

Several federal policy shifts affect child welfare agency expenditures.

- **Child welfare agencies have begun implementing provisions of the Family First Act.** Child welfare agencies have begun to claim reimbursement under the Title IV-E Prevention Services Program and Kinship Navigator Program. Six states reported collectively spending $5.4 million in Title IV-E Prevention Services Program funds in SFY 2020, and 10 states reported collectively spending $1.7 million in Title IV-E Kinship Navigator Program funds in SFY 2020.

- **It is too soon to see the full impact of pandemic-related legislation on child welfare agencies.** The Families First Coronavirus Response Act (FFCRA) and the Supporting Foster Youth and Families Through the Pandemic Act increased the proportion of certain costs covered by the federal government. Additionally, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) added additional funding to Title IV-B. Since SFY 2020 ran from July 1, 2019 to

June 30, 2020 for most states, COVID-19 legislation only impacted expenditures for a portion of the fiscal year. The impacts of COVID-19 legislation will become clearer in subsequent surveys.

- **Spending cuts enacted by Congress in 2011 (sequestration) continue to impact federal child welfare financing sources**. Of the primary federal child welfare funding sources, three (Title IV-E, Medicaid, and TANF) were protected from sequestration and two (Title IV-B and SSBG) were affected (Stoltzfus, 2018a). Title IV-B spending by child welfare agencies decreased by 14 percent over the past decade, partly due to sequestration. SSBG spending also decreased (by 20%) during the past decade, which is partially explained by sequestration since federal fiscal year (FFY) 2013.

Sequestration, or across-the-board spending cuts, was a fiscal policy enacted by Congress in 2011. It was designed to automatically reduce federal spending starting in 2013 in the event that Congress failed to pass a deficit-reducing budget by a specified time.

- **Implementation of the Fostering Connections to Success and Increasing Adoptions Act of 2008 continues to influence Title IV-E expenditures.** This law gave states the option to use Title IV-E for guardianship assistance payments. From SFY 2018 to SFY 2020, there was a 35 percent increase in Guardianship Assistance Program (i.e., GAP or KinGAP) expenditures. Expenditures for this program increased because more states claimed GAP than in prior years and because states with existing GAP programs claimed more expenditures. Fostering Connections also broadened eligibility for the Title IV-E Adoption Assistance Program, which has contributed to growth in that program as well.

- **Federal Title IV-E waivers expired at the end of September 2019.** Congress enacted the Family First Transition Act (Transition Act) in 2019, in part to ease the fiscal implications of the end of the Title IV-E waivers, allowing decreases in federal funding to happen more gradually in FFYs 2020 and 2021. Due in part to the Transition Act, which we consider to be "other" federal funds in this survey, child welfare agencies reported expending 91 percent more other federal funds in SFY 2020 as compared to SFY 2018.

Reflection questions for readers

This report presents national and state-level data on how much child welfare agencies spend, which funding sources they use, and how they spend available funds. Stakeholders can use the information presented in this report to better understand child welfare expenditure data and the ways in which child welfare financing can provide a robust, effective array of services and supports to improve outcomes for children and families.

As our readers review the data presented in this report, we encourage them to consider the following questions:

- **Are child welfare agencies achieving their desired outcomes for all children and families?** Are agencies examining outcomes in a way that allows for identification of any differences among children and families of different demographic backgrounds? What changes need to be made to improve outcomes? Which funding sources could finance these changes?

- **How can the child welfare field use the Family First Act and other recent legislation to maximize opportunities to finance child welfare differently?** How might recent legislation present new opportunities or challenges?

- **How do the ways in which the child welfare system is financed perpetuate racial inequity and disproportionality?** What actions can the child welfare field take to undo the systems and structures that support a racially inequitable status quo? Are funds being used in a way that best supports children and families of color?

- **Do the ways in which the child welfare system is financed reflect common priorities and values (such as the importance of keeping families together)?** Does the balance between spending on out-of-home care and prevention make sense?

- **To what extent have other funding priorities (e.g., health, housing, economic security) affected funding for child welfare?** How can negative impacts on child welfare agency budgets be mitigated?

We encourage individuals working at the state level to consider:

- **Are we missing resources that could be available to fund our agency?** For example, does our Title IV-E foster care coverage rate truly reflect the percentage of children in care who are eligible for Title IV-E, or can we take actions to more fully document eligibility and maximize our Title IV-E resources?

- **If applicable, why are we not using particular funding streams (e.g., TANF or SSBG)?** Is this because our state has made a strategic decision to use those funds in other ways, or is it because the child welfare agency has not been present during discussions about the use of these funds?

We hope that the data in this report spark conversations about these and other topics and serve as a catalyst to improve the well-being of children and families.

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