Title IV-E Spending by Child Welfare Agencies

Child welfare agencies across the United States protect and promote the well-being of children and youth who are at risk of, or have been victims of, maltreatment. In state fiscal year (SFY) 2016, the collective public investment in child welfare services totaled $29.9 billion in federal, state, and local funds. State and local child welfare agencies rely on several major funding sources to administer programs and services, each with its own unique purposes, eligibility requirements, and usage limitations. The unique mix of sources in each state determines what services are available to children and families, which approaches are used, and the way in which child welfare agencies operate.

This document presents information about Title IV-E spending by child welfare agencies in SFY 2016, collected through Child Trends' national survey of child welfare agency expenditures.[1] It is part of an array of child welfare financing resources, available on the Child Trends website, including a summary of national findings, detailed information on other major funding sources, and state-level resources detailing each state's expenditures.

Background

In SFY 2016, child welfare agencies reported spending $13.5 billion[2] in federal funds. The largest federal source was Title IV-E of the Social Security Act, which is composed of the following:

- **Foster Care Program:** Covers costs related to providing foster care for eligible children, including administrative and training costs;
- **Adoption Assistance Program:** Covers costs related to providing adoption assistance for eligible children, including administrative and training costs;
- **Guardianship Assistance Program:** Covers costs related to providing kinship guardianship assistance for eligible children, including administrative and training costs;
- **Chafee Foster Care Program for Successful Transition to Adulthood/Education and Training Vouchers:** Provides assistance for youth transitioning out of foster care to adulthood; and
- **Waiver demonstration projects:** Allows states to waive specific Title IV-E requirements to promote innovation in the design and delivery of child welfare services.

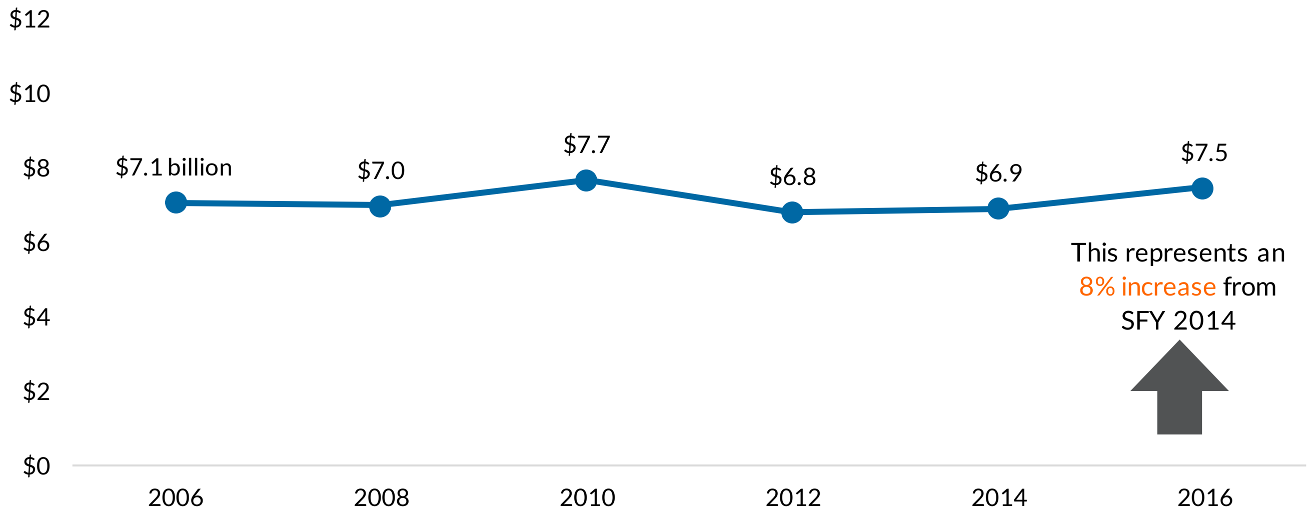
Each of these programs is described in further detail in this document.

Overall Title IV-E Spending

$7.5 billion

In SFY 2016, child welfare agencies reported spending $7.5 billion in Title IV-E funds on child welfare services.[3]

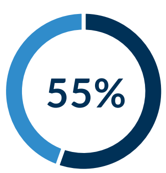
Title IV-E expenditures have increased by 5% over the decade (among states with comparable data in SFYs 2006 and 2016). This graph shows the trend line over the decade.[4]



To enable comparisons, all dollar amounts from previous years have been inflated to 2016 levels.

Between SFYs 2014 and 2016, most states reported an increase in the use of Title IV-E funds by child welfare agencies.[5] Changes in Title IV-E expenditures ranged from -55% to 90%, depending on the state. In some instances, states provided explanations for large changes in expenditures. For example, Wyoming noted a large increase in IV-E expenditures due to more children in foster care and more children eligible for adoption assistance between SFYs 2014 and 2016.

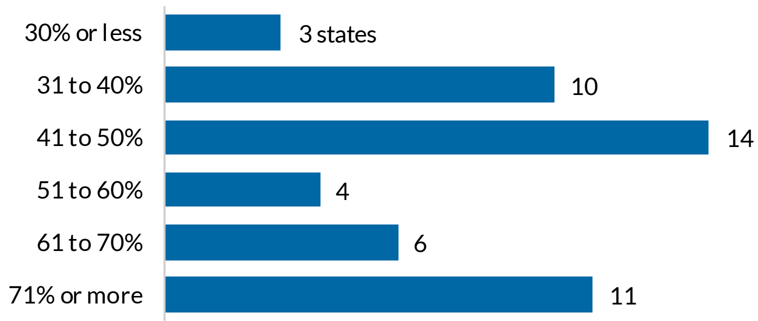
States experiencing changes in the use of Title IV-E funds



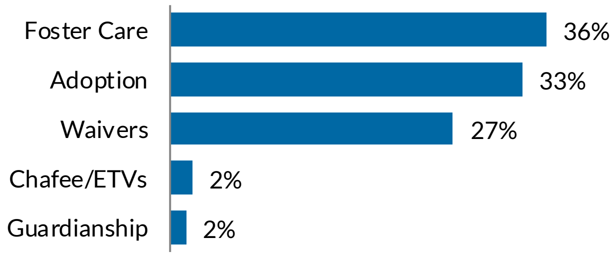
Title IV-E funds comprised a little more than half of federal funds spent by child welfare agencies in SFY 2016.[6] This proportion increased slightly since SFY 2006.[7]

Use of Title IV-E funds varied across states. Title IV-E funds accounted for 19% to 96% of federal dollars spent by child welfare agencies in SFY 2016, depending on the state.

Percent of federal expenditures



Almost three-quarters of Title IV-E expenditures in SFY 2016 were for the Foster Care Program and Adoption Program.[8]



Title IV-E Foster Care Program

Total in SFY 2016:
$2,666,814,920

Change from SFY 2014:
-16%

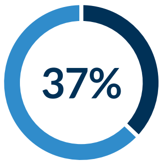
The Title IV-E Foster Care Program is an entitlement program[9] that reimburses states for a portion of costs associated with the following services for eligible children:

a) maintenance payments that cover the costs of shelter, food, and clothing for eligible children;[10]

b) child placement services and administrative costs (including costs associated with candidates for foster care and information technology costs) related to foster care for eligible children;[11] and

c) expenses related to the training of staff and foster parents for eligible children.[12]

Children who are eligible for the Title IV-E Foster Care Program include those in out-of-home placements who would have been considered financially "needy" in the homes from which they were removed, based on measures in place in 1996 under the Aid to Families with Dependent Children (AFDC) program; have entered care through a judicial determination or voluntary placement; and are in a licensed or approved foster care placement.

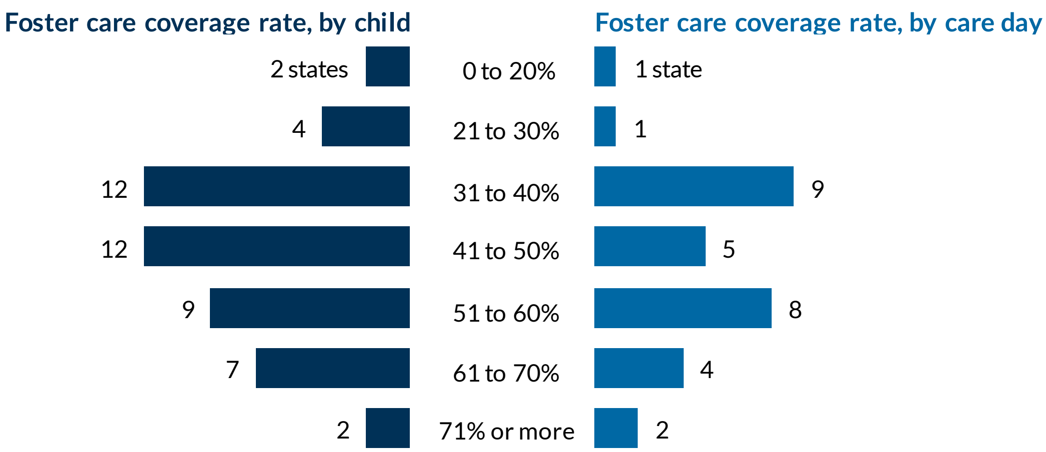


A little more than one-third of Foster Care Program expenditures were for foster care maintenance payments.[13] Out of the total $2.7 billion, $1.0 billion was used for foster care maintenance payments (a 22% decrease since SFY 2014), and $1.7 billion was used for child placement services and other administrative costs, training, and Statewide Automated Child Welfare Information System (SACWIS) activities (a 13% decrease since SFY 2014).[14]

States claimed IV-E for foster care maintenance payments for 51% of children in foster care, and for 48% of the days children spent in foster care (i.e., "care-day").[15]

We asked for the coverage rate in two ways because calculating a IV-E foster care coverage rate based on the number of children masks the fact that some children are in care much longer than other children. By examining the coverage rate in units of care-days, we can more fully understand the extent to which Title IV-E is used to reimburse costs for foster care maintenance payments.

States varied greatly in terms of their individual foster care coverage rates by both the number of children (ranging from 11% in Nebraska to 74% in Ohio) and by care days (ranging from 20% in Kansas to 76% in Ohio).



Title IV-E Adoption Assistance Program

Total in SFY 2016:
$2,512,120,200

Change from SFY 2014:
5%

Similar to the Foster Care Program described above, the Title IV-E Adoption Assistance Program[16] is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

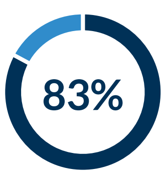
a) adoption assistance payments on behalf of eligible children adopted from foster care;[17]

b) placement services, non-recurring adoption assistance payments, and administrative costs related to adoptions of eligible children from foster care;[18] and

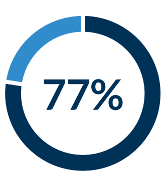
c) expenses related to the training of staff and adoptive parents for eligible children adopted from foster care.[19]

Children are eligible for the Title IV-E Adoption Assistance Program if they are adopted from foster care and have "special needs" (as determined by the state). Depending on their age, they also must meet one of the following criteria: (1) they would have been considered financially needy in the homes from which they were removed, based on measures in place in 1996 under the AFDC program; (2) they are eligible for Supplemental Security Income (SSI); (3) they are children whose costs in a foster care setting are included in the IV-E foster care maintenance payment being made on behalf of their minor parents; or (4) they were eligible for IV-E adoption assistance in a previous adoption but their adoptive parents died or the parents' rights to the children were dissolved.

The Fostering Connections to Success and Increasing Adoptions Act and the Family First Prevention Services Act provide that, as of July 1, 2024, any child determined by a state to have special needs will be eligible for recurring IV-E adoption assistance payments.[20] For children adopted in FFY 2016, the expanded eligibility applied to those with special needs who (1) were age 4 or older when adopted; (2) had been in care for 60 continuous months; or (3) were a sibling of a child who met the age or length-of-stay requirement and were being placed in the same adoptive family as that sibling. The overall increase in this program was likely due in part to this expanded eligibility criteria, which resulted in more children for whom payments were made. According to IV-E claims data from HHS, the average monthly number of children for whom IV-E adoption assistance payments were made was around 437,000 in FFY 2014, while in FFY 2016 the number of children had increased to almost 457,000.



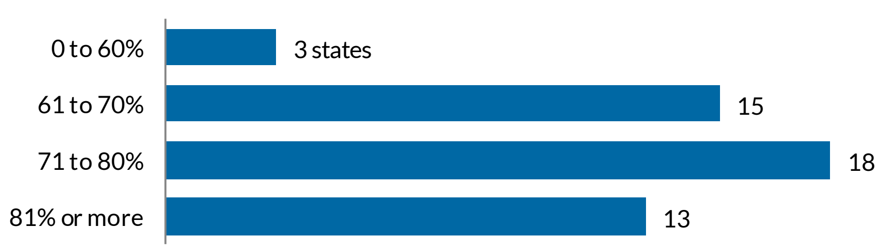
More than three-quarters of Adoption Assistance Program funds were used for adoption assistance payments.[21] Out of the total $2.5 billion, $2.1 billion was used for adoption assistance payments (a 6% increase since SFY 2014), and $431 million was used for administrative costs and training (a 3% increase since SFY 2014).[22]



Nationally, three-quarters of children receiving an adoption assistance payment were supported by Title IV-E.[23]

However, states varied greatly in terms of their individual adoption assistance coverage rates, ranging from 42% in Delaware to 93% in Ohio.

Adoption assistance coverage rate range



Title IV-E Guardianship Assistance Program

Total in SFY 2016:
$119,170,947

Change from SFY 2014:
45%

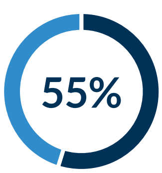
The Fostering Connections to Success and Increasing Adoptions Act of 2008 gives states the option to operate a Title IV-E Guardianship Assistance Program (also referred to as "GAP" or "KinGAP").[24] As with the Foster Care and Adoption Programs, KinGAP is an entitlement program in which the federal government reimburses each state for a percentage of eligible costs in the following categories:

a) kinship guardianship assistance payments to relatives who become the legal guardians of eligible children for whom the relatives previously served as foster parents;[25]

b) placement services, non-recurring guardianship assistance payments, and administrative costs related to guardianships from foster care of eligible children;[26] and

c) expenses related to training for staff and guardians of eligible children.[27]

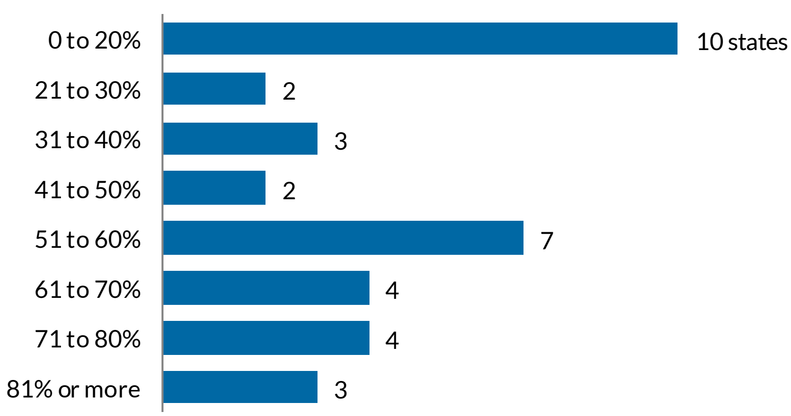
Children are eligible for KinGAP if they are exiting foster care to legal guardianship with relatives (the definition of relative is determined by each state) and meet the following conditions: (1) the child has been eligible for Title IV-E foster care maintenance payments while residing in the home of a prospective relative guardian for at least six consecutive months; (2) the state or tribe has determined that returning home or being placed for adoption are not appropriate for the child; (3) the child demonstrates a strong attachment to the prospective relative guardian and the prospective guardian is committed to caring permanently for the child; and (4) for children age 14 and older, the child has been consulted regarding the kinship guardianship arrangement. Siblings of eligible children placed in the same kinship guardianship arrangement may also benefit from the program.[28]



Nationally, 55% of children receiving a guardianship assistance payment were supported by Title IV-E.[29]

However, states that offer guardianship assistance varied greatly in terms of their individual guardianship assistance coverage rates, ranging from 0% in several states to 100% in Alabama.

Guardianship assistance coverage rate range



There was a 45% increase in KinGAP spending between SFYs 2014 and 2016.[30]

45%

Thirty states reported KinGAP spending, a program made available by the Fostering Connections Act. The increase in expenditures is largely due to the growth of KinGAP programs in states that had a program in both years.

Chafee Foster Care Program for Successful Transition to Adulthood/Education and Training Vouchers

Total in SFY 2016:
$164,637,771

Change from SFY 2014:
-4%

The Chafee Foster Care Program for Successful Transition to Adulthood[31] (previously the Chafee Foster Care Independence Program) allocates funding to states for expenses related to independent living activities that prepare youth to successfully transition out of foster care. Funding can also be used for services for some young people who have already left foster care. The Education and Training Voucher (ETV) component of the program provides vouchers of up to $5,000 per year for post-secondary education or vocational training. Unlike the other Title IV-E programs, the Chafee program operates as a capped entitlement, with only a designated amount of funds available for what are referred to as independent living funds. Funding for the ETV component is discretionary with the amount subject to annual appropriations, which can vary from year to year.[32] A state must provide a minimum 20% match for the Chafee program (i.e., it must provide $1 for every $4 in federal funding it receives through the Chafee program).

Title IV-E Waivers[33]

Total in SFY 2016:
$2,022,167,304

Change from SFY 2014:
82%

Resulting from legislation enacted in 1994, there is time-limited authority granted through the Social Security Act for the federal government to waive state compliance with specific Title IV-E eligibility requirements for states participating in approved child welfare demonstration projects. These cost-neutral demonstration projects (or "waiver projects") are designed to promote innovation in the design and delivery of child welfare services to support child safety, permanency, and well-being. While there is variation across states in the goals of the demonstration projects, many of the waiver projects focus on preventing abuse or neglect, reducing the occurrence of re-entry into care, and supporting permanency.[34] Waiver projects are required to be cost-neutral to the federal government (i.e., states do not receive more federal funds than they would have in the absence of the waiver) and are required to have an evaluation component. Even with a waiver, states are required to cover all activities they are obligated to provide as part of the IV-E program.

Currently, HHS does not have the authority to approve new waiver projects and may not extend approval for current projects beyond the end of FFY 2019. On our survey, 27 states reported waiver expenditures for SFY 2016.[35]

Of the total $29.9 billion in reported child welfare agency expenditures for SFY 2016, about $2 billion is associated with federal IV-E waiver-related expenditures. Funds accessed through a waiver can be used to cover four different types of expenditures:

a) costs that would have been reimbursed without the waiver. These are the costs for IV-E eligible children to receive IV-E eligible activities;

b) costs for IV-E eligible activities for children who would **not** qualify for IV-E under traditional eligibility criteria;

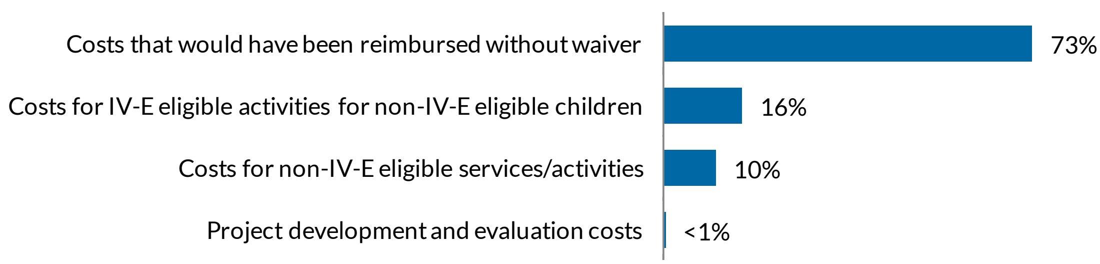
c) costs for activities falling outside traditional IV-E eligible categories (for any child, regardless of IV-E eligibility); and

d) project development and evaluation costs[36] mandated by participation in the waiver projects.

When a state has a Title IV-E waiver, it can affect spending in other IV-E categories. States were instructed to report any IV-E waiver dollars separately from any other IV-E dollars, meaning that a state could have reported $0 for any of the individual IV-E programs (e.g., foster care). However, that does not mean that the state did not use IV-E dollars for foster care. Rather, it means that all expenditures for those kinds of services or activities were captured under the IV-E waiver amount it reported. Other sources of information about Title IV-E spending may categorize waiver expenditures differently.

Breakdown of waiver expenditures

In SFY 2016, 10% of Title IV-E waiver funds were used for services and activities not previously reimbursable under Title IV-E.[37] States reported paying for activities such as in-home services, prevention services, and evidence-based programs with these funds. Of the 24 states that reported how they spent waiver dollars, 14 spent some waiver dollars on services and activities that are not eligible for traditional IV-E reimbursement. Less than 1% of waiver funds were spent on project development and evaluation costs.



The remaining 89% of waiver funds were spent on activities (e.g., maintenance payments and case worker activities on behalf of children in care) that would be permitted without a waiver. However, states spent 16% of total waiver expenditures on activities for children who, without the waiver, would not have been eligible for Title IV-E support due to income, placement type, or circumstances related to their entry into foster care. With the waivers currently set to expire in 2019, states will have to find other funds to cover those services/activities. If SFY 2016 expenditures are indicative of waiver spending in more recent years, the end of waivers would result in a loss of more than $300 million in Title IV-E funds.

It is important to note that among the 27 states that reported waiver expenditures, California, Maine, and Nebraska were unable to detail how they spent their waiver dollars in SFY 2016. Since California is a large state, the omission of its data may skew results, therefore we recommend exercising caution when interpreting these results.[38]

Among the 16 states that reported waiver expenditures in SFYs 2014 and 2016, the percentage of waiver expenditures that would have been reimbursed without the waiver increased slightly and the percentage of waiver expenditures spent on costs for IV-E eligible activities for non-IV-E eligible children decreased slightly.

	SFY 2014	SFY 2016
Costs that would have been reimbursed without waiver	67%	71%
Costs for IV-E eligible activities for non-IV-E eligible children	20%	17%
Costs for non-IV-E eligible services/activities	12%	12%
Project development and evaluation costs	1%	<1%

The above analyses group all waiver states together, however, it is possible that the use of waiver dollars varies by when the state first started its waiver. Indeed, when separating waiver states into three groups, those that have had a waiver the longest spend a smaller proportion of waiver expenditures on costs that would have reimbursed without the waiver and a greater proportion on costs for non-IV-E eligible services/activities. The table below shows differences among the three groups.

	Started waiver:		
	Before 2012 (n=4)	In 2012-2014 (n=13)	In 2015-2016 (n=7)
Costs that would have been reimbursed without the waiver	48%	89%	80%
Costs for IV-E eligible activities for non-IV-E eligible children	36%	3%	13%
Costs for non-IV-E eligible services/activities	15%	8%	7%
Project development and evaluation costs	<1%	<1%	1%

This difference may be a result of waiver states using their waiver interventions to reduce the number of children in care, which over time could reduce spending on traditionally eligible IV-E activities and increase spending on non-eligible activities.

[1] Each state reported data based on its SFY 2016, which for most states is July 1, 2015 to June 30, 2016. Of the 50 participating states, only six (Alabama, the District of Columbia, Michigan, New York, Texas, and Wyoming) reported a different SFY calendar.

The survey captures funds expended by child welfare agencies, but not funds expended by other agencies (such as health or education agencies) on children served by the child welfare system. See the main report (*"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"*) for more specific information on how this amount was calculated.

The survey instrument has been revised over the 10 rounds of the survey, so some data are not directly comparable.

For the purposes of the survey, the District of Columbia and Puerto Rico are considered states.

This year, Puerto Rico and Vermont were unable to participate, resulting in a total of 50 participating states.

Tribes were not individually contacted regarding their child welfare expenditures.

[2] See the main report (*"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"*) for more specific information on how this amount was calculated.

[3] Based on an analysis of 52 states, including estimated SFY 2016 Title IV-E expenditures for Puerto Rico and Vermont based on U.S. Department of Health and Human Services (HHS) fiscal data.

[4] To enable comparisons, all dollar amounts from previous years have been inflated to 2016 levels using the gross domestic product deflator (accessed at www.measuringworth.com/uscompare/).

When making comparisons between expenditures or funding proportions between two or more years, we restricted the analysis to states with comparable data in the years being compared. This is because some states provided incomplete information or did not respond to the survey in some years.

The line graph is based on an analysis of 49 states with comparable data during the decade.

The percent change between SFYs 2014 and 2016 is based on an analysis of 50 states with comparable data.

[5] Based on an analysis of 50 states with comparable data. We counted any positive change as an increase, and any negative change as a decrease, regardless of magnitude.

[6] This figure is the proportion of federal spending by child welfare agencies that IV-E represented in SFY 2016. It differs from the proportion presented in *"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"* because that is based on states with comparable data during the decade. This percentage is based on an analysis of 48 states with complete federal expenditure data in SFY 2016.

[7] Based on an analysis of 39 states with comparable data during the decade.

[8] Based on an analysis of 50 states that provided a breakdown of their Title IV-E spending.

[9] Total reported amount in SFY 2016 is based on an analysis of 51 states with available data. Percent change from SFY 2014 is based on an analysis of 49 states with comparable data.

Title IV-E Foster Care Program expenditures are heavily influenced by how many and which states have active IV-E waivers in place during the time period. Because of this, overall trends in funding amounts need to be considered in conjunction with waiver information.

Entitlement programs require payments to persons, state/local governments, or other entities if specific eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government and do not have a set ceiling.

[10] Federal reimbursement is provided based on the state's Federal Medical Assistance Percentage (FMAP), which varied from 50% to 74.17% in FFY 2016. The FMAP is the percentage the federal government reimburses states for eligible costs. The FMAP is higher for states with lower per capita incomes. [U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. (2014). *ASPE FMAP 2016 Report: Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2015 through September 30, 2016.* Available at: https://aspe.hhs.gov/basic-report/fy2016-federal-medical-assistance-percentages]

[11] These expenses are reimbursed by the federal government at a 50% rate.

[12] Training expenses are reimbursed by the federal government at a 75% rate.

[13] Based on 51 states that provided sufficient information.

[14] Percent change based on an analysis of 49 states with comparable data.

[15] Based on 48 states that provided a foster care coverage rate by child and 30 states that provided a foster care coverage rate by care day. See the main report (*"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"*) for the methodology used to calculate these rates.

[16] Total reported amount in SFY 2016 is based on an analysis of 51 states with available data. Percent change from SFY 2014 is based on an analysis of 49 states with comparable data.

[17] Federal reimbursement is provided based on the state's FMAP.

[18] These expenses are reimbursed by the federal government at a 50% rate.

[19] Training expenses are reimbursed by the federal government at a 75% rate.

[20] The Fostering Connections to Success and Increasing Adoptions Act of 2008 (often referred to as the Fostering Connections Act) provided that all children with special needs (with some additional eligibility criteria) would be eligible as of FFY 2018. However, the Family First Prevention Services Act of 2018 extended the time frame to 2024.

[21] Based on 51 states that provided sufficient information.

[22] Percent change is based on an analysis of 49 states with comparable data.

[23] Based on 49 states that provided an adoption assistance coverage rate. See the main report (*"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"*) for the methodology used to calculate this rate.

[24] Total reported amount in SFY 2016 is based on an analysis of 51 states with available data. Percent change from SFY 2014 is based on an analysis of 49 states with comparable data.

[25] Federal reimbursement is provided based on the state's FMAP.

[26] These expenses are reimbursed by the federal government at a 50% rate.

[27] Training expenses are reimbursed by the federal government at a 75% rate.

[28] Additionally, the Fostering Connections Act states that children who were receiving guardianship payments or services under a Title IV-E demonstration waiver as of Sept. 30, 2008, remain eligible for Title IV-E assistance or services under the same terms or conditions established previously in any terminated Title IV-E guardianship waiver.

[29] Based on an analysis of 33 states. While the District of Columbia and Kansas were able to report a guardianship assistance coverage rate and are included in the "guardianship assistance coverage rate range" chart, they were unable to provide the numerators and denominators requested, so they are excluded from the national coverage rate calculation. See the main report (*"Child Welfare Financing SFY 2016: A survey of federal, state, and local expenditures"*) for the methodology used to calculate this rate.

[30] Percent change from SFY 2014 is based on an analysis of 49 states with comparable data.

[31] Total reported amount in SFY 2016 is based on an analysis of 50 states with available data. Percent change from SFY 2014 is based on an analysis of 48 states with comparable data.

[32] For a program funded through a discretionary spending approach, the authority for program activity is established through an authorization law, but the decision as to how much that activity will actually be funded, if at all, is left to the annual appropriations process.

[33] Total reported amount in SFY 2016 is based on an analysis of 51 states with available data. Percent change from SFY 2014 is based on an analysis of 49 states with comparable data.

[34] Stoltzfus, E. (2017). *Child Welfare: An Overview of Federal Programs and Their Current Funding*. U.S. Congressional Research Service, (R43458; January 10, 2017), Washington, DC.

[35] There were 26 states with active IV-E waivers in SFY 2016 (including Idaho, which terminated its waiver in March 2016) (Stoltzfus, 2017; James Bell Associates (2016). *Summary of the Title IV-E Child Welfare Waiver Demonstrations*. Arlington, VA. Available at: https://www.acf.hhs.gov/sites/default/files/cb/cw_waiver_summary2016.pdf), yet 27 states reported waiver expenditures on the survey. Arizona is not considered to have had an active waiver in SFY 2016 since its waiver implementation officially began on the first day of SFY 2017, but it reported waiver expenditures for SFY 2016. Hawaii had an active waiver in SFY 2016 but was unable to report its waiver expenditures. Montana is not considered to have had an active waiver in SFY 2016 yet it reported a small amount of waiver expenditures for project development and evaluation costs. We did not survey tribes, so this amount does not reflect waiver expenditures by the Port Gamble S'Klallam Tribe.

[36] States were instructed to include program development and evaluation costs in their total reported waiver expenditures.

[37] Based on an analysis of 24 states that could report how they spent waiver dollars.

[38] In SFY 2014, California reported that 51% of its waiver expenditures were spent on costs that would have been reimbursed without the waiver; 45% were spent on costs for IV-E eligible activities for non-IV-E eligible children, and 4% were spent on costs for non-IV-E eligible services/activities. If the state's use of waiver dollars was the same in SFY 2016, the inclusion of California would drive the "costs that would have been reimbursed without the waiver" category down, drive the "costs for IV-E eligible activities for non-IV-E eligible children" category up, and drive the "costs for non-IV-E eligible services/activities" category down. However, we do not know if California's use of waiver dollars has remained the same or changed.

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