

# CRS Report for Congress

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## **Child Welfare Financing: Issues and Options**

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name redacted  
Specialist in Social Legislation

Christine Devere  
Analyst in Social Legislation  
Domestic Social Policy Division

# Child Welfare Financing: Issues and Options

## Summary

Although child welfare services are primarily a state responsibility, the federal government helps pay for these activities, providing states about \$7 billion in FY2001 for child welfare services, foster care, and adoption assistance. Although there is widespread frustration with the way these funds are provided from the federal government to the states, there is currently no consensus on a method of reform.

Most federal funds that are specifically targeted toward child welfare activities are authorized by Title IV-B or IV-E of the Social Security Act or the free-standing Child Abuse Prevention and Treatment Act (CAPTA). These statutes authorize a variety of funding streams. Some are discretionary; others are entitlements. Some of the entitlements are open-ended (in other words, there is no limit on federal spending); others are capped. All require states to comply with various programmatic and procedural rules. In addition, states serve child welfare clients through other, non-targeted federal programs, such as Temporary Assistance for Needy Families, Medicaid, and the Social Services Block Grant.

Most proposals to reform federal child welfare financing focus on the two largest funding streams, which are for foster care and adoption assistance, authorized under Title IV-E. Controlling for inflation, the federal share of state spending for these two activities has increased dramatically, from \$1.1 billion in FY1987 to \$5.3 billion in FY2000 (in 2000 dollars). Foster care is the larger of the two activities, but adoption assistance is growing at a faster pace, both in terms of dollars spent and children served. In fact, the Congressional Budget Office (CBO) projects that the number of children claimed by states as eligible for adoption assistance will surpass the number claimed as eligible for foster care, beginning in FY2003.

As federal spending for these activities has grown, the financing structure has increasingly been seen by lawmakers, administrators, and caseworkers as often conflicting with the needs of children and families. The system is criticized as complex, burdensome, and inflexible. Critics assert that the federal eligibility criteria for foster care and adoption assistance (linked to the former Aid to Families with Dependent Children) are out-of-date and inappropriate, and the system does not recognize the growing role of relatives in caring for foster children. On the other hand, supporters of the system believe its open-ended entitlements provide a safety net for states and children, and that the complicated federal rules ensure a minimum level of protection for children. Congress also has allowed states to conduct demonstrations through waivers, which will help inform lawmakers in the future.

Congress has tentatively discussed reform proposals for a decade, ranging from expansions of existing entitlements to consolidation into block grants. Elimination of the AFDC requirement has been proposed repeatedly, and interest also has developed recently in performance-based funding. Because the current system is complex, all reform proposals raise complex issues. Also, because the largest parts of the system are open-ended entitlements, virtually all proposals have budgetary implications. Moreover, federal enforcement of child welfare laws – administratively and through the courts – is a related issue of ongoing interest to Congress.

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# Child Welfare Financing: Issues and Options

## Introduction

Although child protection and child welfare services are primarily state functions, the federal government helps pay for these activities, providing an estimated \$7 billion in FY2001 for child welfare services, foster care, and adoption assistance. Increasingly in recent years, the way in which these funds are provided to states has been seen as inflexible, burdensome, and counterproductive to the interests of children and families. However, while there is widespread frustration with the current system, no consensus yet exists on a method of reform.

Today's system of funding child welfare activities is complex. The current "system" is actually a patchwork of federal laws, requirements, and programs. States receive federal funds through various "funding streams" that were established at different times, generally in response to different concerns. Historically, child welfare services evolved gradually in most states and much of the impetus for these services came from private, nongovernmental organizations. While federal funding for some child welfare services was available as early as 1935, federal funds for foster care only became available in the early 1960s, and most of the growth in the federal role has occurred in the past 20 years. Each component of the federal financing system had its own purpose at the time it was enacted, but no comprehensive or cohesive policy rationale ties the entire system together. Nonetheless, states have become dependent on this complicated assortment of federal funds, as they attempt to design and operate programs that respond to the needs of children and families.

Some federal child welfare funds are discretionary, which means that the amount of money available to states is determined through the annual appropriations process. Others are entitlements, which means that states are entitled by law to receive these funds. Some of the entitlement funds are capped, so that states are entitled to a share of a fixed amount. Other entitlement funds are open-ended, so that states are entitled to federal reimbursement for any legally eligible expenditure, with no limit on total federal spending. Several funding streams use formulas for allocating funds among states, but the formulas differ. Most funding streams require a nonfederal matching amount from the states, but the match requirements differ. And finally, virtually all federal child welfare funds come with programmatic and procedural strings attached, so that states must comply with numerous federal rules to be eligible to receive federal funds.

Congress has tentatively discussed proposals to reform federal financing of child welfare for at least a decade, and the debate is continuing. Ideas have ranged from expansion of the existing open-ended entitlements to total consolidation of all funding streams into a single block grant. The notion of connecting funding with state performance, as measured by various indicators, also has been considered. While no

comprehensive reform proposal has been enacted, Congress has amended the federal child welfare laws in recent years to achieve other goals, in some cases further complicating the overall financing structure.

This report is divided into several sections. First, it describes the existing federal funding streams for child welfare activities, and second, it presents data on trends in federal spending under the two largest funding streams; i.e., foster care and adoption assistance. The third section of the report discusses prevailing views of the system, focusing on its perceived weaknesses and strengths. Next, the report describes reform proposals that have been offered in recent years, and identifies various policy issues raised by these proposals. Some concluding notes are offered at the end.

## Components of the Current System

The primary federal statutes that authorize grants to states for child welfare activities are Titles IV-B and IV-E of the Social Security Act, and the free-standing Child Abuse Prevention and Treatment Act (CAPTA).<sup>1</sup> Most of the focus of financing reform proposals is on foster care and adoption assistance under Title IV-E, which are open-ended entitlements to states and represent the largest categories of federal expenditures. Nonetheless, a discussion of reform proposals requires an understanding of the full array of federal child welfare programs.

Before states may receive funding for child welfare activities under the Social Security Act or CAPTA, they must develop and submit state plans to the federal Department of Health and Human Services (HHS) that meet a detailed series of requirements. These requirements are outlined in the various statutes and collectively form the basis of federal child welfare policy. Although the state role is paramount in child welfare, the federal government significantly influences state behavior by conditioning the receipt of federal funds on compliance with these requirements.

Specific grants authorized under Titles IV-B, IV-E and CAPTA are briefly described below.<sup>2</sup> This information also is summarized in **Table A-1**.

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<sup>1</sup> In addition to these grants, readers should note that several other federal programs provide funding for child welfare services, although they are not specifically designed as child welfare programs. These include the Social Services Block Grant (SSBG) to states, Medicaid, and the Temporary Assistance for Needy Families (TANF) block grant to states. The precise amount of funds devoted to child welfare activities under these programs is not known, but research conducted by the Urban Institute produced an estimate of \$2 billion in FY1998. Bess, Roseanna et al., *The Cost of Protecting Vulnerable Children II: What Has Changed Since 1996?*, Urban Institute, OP-46, Washington, D.C., February 2001.

<sup>2</sup> This report focuses on programs that provide grants to states for ongoing activities. Additional amounts are provided under CAPTA and Title IV-B of the Social Security Act for research and demonstration grants, which are awarded to public and private entities at the discretion of the Secretary of HHS. The Adoption Opportunities and Abandoned Infants Assistance Acts also authorize grants to public and private entities at the discretion of HHS, and the Department of Justice administers several small programs to improve the investigation

(continued...)

## Title IV-B of the Social Security Act

**Child Welfare Services.** Matching grants to states for child welfare services, defined broadly,<sup>3</sup> are authorized under Subpart 1 of Title IV-B. The law permanently authorizes \$325 million annually; however, the amount actually provided is left to the discretion of the annual appropriations process. A formula determines the share of appropriated funds that is allocated among each of the states and DC. This formula is based on the state's population under age 21 and per capita income, as compared to all other states. The federal share of state child welfare expenditures is set at 75% and a 25% nonfederal match is required. States have broad discretion in the use of these funds and no federal eligibility criteria apply to the children or families served. To receive funds, states must develop a plan jointly with HHS that satisfies various requirements, many of which are intended to assure safety and permanency for children who enter the state's foster care system. *FY2001 appropriation: \$292 million.*

**Promoting Safe and Stable Families.**<sup>4</sup> Subpart 2 of Title IV-B authorizes capped matching entitlement grants to states, through FY2001, for four specific activities: (1) community-based family support services to support and strengthen vulnerable families before abuse or neglect occurs; (2) intensive family preservation activities for families in crisis, intended to avoid the need to place children in foster care; (3) time-limited family reunification services intended to reunite foster children with their families; and (4) adoption promotion and support services to encourage adoptions and support families after adoptions are made. No eligibility criteria for children or families are specified in federal law. The law entitles states to their portion, determined by a formula, of an amount specified in the authorizing statute (although this amount must be appropriated each year). The allocation formula is based on each state's share of children receiving food stamps, and a 25% nonfederal match is required. As with the child welfare services program under Subpart 1, states must develop a plan jointly with HHS to receive funds under this authority. *FY2001 appropriation: \$305 million.* (Of annual appropriations for this program, \$10 million

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<sup>2</sup> (...continued)

and prosecution of child abuse and neglect, under the Victims of Child Abuse Act.

<sup>3</sup> The law defines the following as eligible child welfare services: "public social services which are directed toward the accomplishment of the following purposes: (A) protecting and promoting the welfare of all children, including handicapped, homeless, dependent, or neglected children; (B) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children; (C) preventing the unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of the family where the prevention of child removal is desirable and possible; (D) restoring to their families children who have been removed, by the provision of services to the child and the families; (E) placing children in suitable adoptive homes, in cases where restoration to the biological family is not possible or appropriate; and (F) assuring adequate care of children away from their homes, in cases where the child cannot be returned home or cannot be placed for adoption."

<sup>4</sup> See CRS Report RL30894, *Child Welfare: Reauthorization of the Promoting Safe and Stable Families Program*, by (name redacted).

is reserved for grants to state courts to improve their child welfare procedures, described below.)

**Court Improvement Grants.** Of the annual entitlement funds appropriated for Promoting Safe and Stable Families (see above), \$10 million is reserved each year for grants to the highest court in each state for court improvement activities (i.e., an assessment of the state court's weaknesses in handling child welfare cases, and efforts to address those weaknesses). The statutory language governing the use of these funds is found in Section 13712 of the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) and requires that state courts submit an application to HHS to participate in the program. Funds are allocated according to state population under 21, and a 25% nonfederal match is required. *FY2001 appropriation: \$10 million* (reserved from the appropriation for Promoting Safe and Stable Families).

## Title IV-E of the Social Security Act

**Foster Care.** Under Title IV-E, states are entitled to federal reimbursement for eligible expenditures that they incur on behalf of certain children in foster care. Eligible expenditures may be for maintenance payments to foster care providers on behalf of the children, and for related administrative and child placement costs,<sup>5</sup> training and data collection costs. Those for whom federal reimbursement is available are children:

- who would have been eligible for Aid to Families with Dependent Children (AFDC) (as AFDC existed on July 16, 1996), if they had been living in their biological home;
- who were removed from their homes pursuant to judicial findings that continuation in the home would be contrary to their welfare, and that reasonable efforts had been made to avoid their placement into foster care;<sup>6</sup>
- whose care and placement is the responsibility of the state child welfare agency; and
- who are in licensed foster care settings.

Federal reimbursement for eligible expenditures is made on an open-ended basis; i.e., there is no ceiling or cap on federal spending for foster care. The federal share of eligible state expenditures is as follows:

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<sup>5</sup> These costs are defined in regulation to include: referral to services; preparation for and participation in judicial determinations; placement of the child; development of the case plan; case reviews; case management and supervision; recruitment and licensing of foster homes and institutions; rate setting; and a proportionate share of related agency overhead (45 CFR 1356.60).

<sup>6</sup> In some cases, the court may determine that such efforts are not required. In addition, eligible children may be placed pursuant to a voluntary agreement between the child's parents and the state child welfare agency, if certain judicial findings are made.

- for maintenance payments, the Medicaid matching rate,<sup>7</sup> is used to determine the federal share;
- for specified training costs, the federal share is 75%; and
- for all other administrative costs, including expenditures related to data collection, the federal share is 50%.

Title IV-E is permanently authorized. To receive funds, states must have a plan approved by the Secretary of HHS, indicating that their programs comply with a series of detailed requirements. *FY2001 estimated federal spending: \$5 billion.*

**Adoption Assistance.** States also are entitled to federal reimbursement under Title IV-E for eligible expenditures related to adoption assistance for certain children with special needs. Paralleling the foster care component of Title IV-E, eligible expenditures may be for assistance payments to adoptive parents, and for related administrative, training, and data collection costs. Those for whom federal reimbursement is available are adopted children:

- who would have been eligible for AFDC (as it existed on July 16, 1996) if they had been living with their biological families, or who are eligible for Supplemental Security Income (SSI);
- for whom reasonable efforts were made to place for adoption without adoption assistance or medical assistance;<sup>8</sup> and
- with special needs as defined by the state.<sup>9</sup>

The financing structure is the same as for Title IV-E foster care; i.e., federal reimbursement is made on an open-ended entitlement basis, and the federal matching rates are equal to the Medicaid match for adoption assistance payments, 75% for certain training expenditures, and 50% for all other administrative costs.<sup>10</sup> *FY2001 estimated federal spending: \$1.2 billion.*

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<sup>7</sup> Informally referred to as the Medicaid matching rate, the “federal medical assistance percentage” (FMAP) is inversely related to state per capita income, but may be no less than 50% or more than 83%.

<sup>8</sup> Such efforts may not be required if the child is being adopted by foster parents with whom the child has established a significant bond.

<sup>9</sup> Special needs children are those who the state has determined cannot be placed for adoption without subsidy or medical assistance because of a condition or factor such as the child’s age, racial or ethnic background, membership in a sibling group, medical condition, or physical, mental or emotional disability. Within these federal parameters, the states establish specific definitions.

<sup>10</sup> Administrative costs also may include the cost of helping adoptive parents with the non-recurring, one-time costs of adoption (up to a maximum of \$2,000). These costs are eligible for 50% federal matching, regardless of the income or welfare eligibility status of the child; however, the child must have special needs as defined by the state.

**Adoption Incentive Payments.**<sup>11</sup> As an incentive for states to increase their numbers of foster children and special needs children who are adopted, Section 473A authorizes payments to states for each additional adoption over a baseline level. The payments equal \$4,000 for each foster child adoption, and \$6,000 for each special needs adoption, above the state's baseline for each. The law authorizes annual appropriations for these incentive payments in FY1999-FY2003, for adoptions finalized in FY1998-FY2002. The law also amends congressional budget rules so that appropriations for this program – up to \$20 million per year – do not count against the discretionary budget caps; appropriations above that amount are subject to the discretionary cap. To be eligible for the payments, which are 100% federally funded, states must submit data on the number of their adoptions to HHS and, for FY2001-FY2002, must meet requirements regarding health insurance for adopted children. The payments can be used for any activity authorized under Title IV-B or IV-E. *FY2001 appropriation: \$43 million.*

**Foster Care Independence Program.**<sup>12</sup> Section 477 permanently authorizes capped entitlement matching grants to states for activities to improve the education and employment prospects and the transition to independent living of older children who are likely to “age out” of foster care, and for those (up to age 21) who already have left foster care at age 18. Services include various forms of counseling, assistance with obtaining a high school credential, job placement assistance, and a limited amount of room and board for 18-20-year-olds. The annual entitlement ceiling is established in the statute at \$140 million, although funds must be appropriated through the annual appropriations process. States are entitled to their share of the amount appropriated, according to a formula that is based on the relative number of foster children in each state in the most recent year for which data are available. States must first submit an application, containing a plan and certifications regarding the contents of their program, before being eligible to receive these funds. The grants are 80% federally funded; i.e., a 20% nonfederal match is required. *FY2001 appropriation: \$140 million.*

## **Child Abuse Prevention and Treatment Act<sup>13</sup>**

**CAPTA State Grants.** Title I of CAPTA authorizes grants to states for improvements in their child protective service systems; appropriations are authorized through FY2001. Grant amounts are based on each state's population of children under age 18, and require no nonfederal matching amounts. To receive these funds, states must submit a plan that describes how the funds will be used to improve child protective services, and that meets numerous requirements, including an assurance that the state has a system for reporting and investigating suspected cases of child abuse or neglect. *FY2001 appropriation: \$21 million.*

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<sup>11</sup> See CRS Report RL30759, *Child Welfare: Implementation of the Adoption and Safe Families Act*, by (name redacted).

<sup>12</sup> See CRS Report RS20230, *Child Welfare: The Chafee Foster Care Independence Program*, by Christine Devere.

<sup>13</sup> See CRS Report RL30923, *Child Abuse Prevention and Treatment Act: Reauthorization in the 107<sup>th</sup> Congress*, by (name redacted) and (name redacted).

**Community-Based Family Resource and Support Grants.** Title II of CAPTA authorizes grants to states to help develop networks of community-based, prevention-focused family resource and support programs; appropriations are authorized through FY2001. States must designate a lead entity (which may be public or private nonprofit) to receive these funds and must submit an application containing certain information and assurances about the use of funds. Grant amounts are determined as follows: 70% of each state's allotment is based on its population of children under age 18; and 30% is based on the amount of funds leveraged by each state from nonfederal sources for use by the lead entity. In addition, each state must spend an amount, from nonfederal sources, equal to at least 20% of its federal allotment. (This nonfederal spending may be in cash or in-kind.) *FY2001 appropriation: \$33 million.*

## Trends in Federal Child Welfare Spending

Although states receive federal funding for child welfare services from a variety of funding streams (as outlined above), the bulk of federal child welfare funding is provided for foster care and adoption assistance under Title IV-E of the Social Security Act. Proposals to reform child welfare financing have focused on these two open-ended entitlements. This section illustrates trends in federal spending and in the population of children claimed as eligible for foster care and adoption assistance under Title IV-E from FY1987-FY2000, based on data provided by HHS.<sup>14</sup> This section also highlights projected trends in foster care and adoption assistance under Title IV-E, as estimated by the Congressional Budget Office (CBO).

In general, this section illustrates four main points:

- Nationally, the federal share of total state expenditure claims for foster care and adoption assistance under Title IV-E has increased dramatically over the past 14 years, as has the average monthly number of children who states claim as eligible under both programs. However, it is important to remember that there is substantial variation by state.
- While spending overall has increased, national trends indicate that the states are spending an *increasing* percentage of foster care funds for administrative costs and training, while a smaller percentage of the funds are devoted to foster care maintenance payments. The distribution of spending for adoption assistance under Title IV-E has remained relatively constant, with approximately three-quarters of this funding devoted to adoption assistance payments over the past 14 years.
- The larger states (such as California and New York) continue to play a major role in explaining national trends in child welfare. However,

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<sup>14</sup> For a more detailed discussion of these data, as well as limitations of using these data as provided, please see Appendix B: A Note on Data Limitations.

these states' share of total federal funding for foster care and adoption assistance, as well as their share of the total eligible population, has decreased over time.

- While both foster care and adoption assistance have experienced an increase in spending and in the number of eligible children, adoption assistance under Title IV-E is growing more rapidly and more consistently. In fact, CBO is projecting that, nationally, the number of children claimed as eligible for adoption assistance will surpass the number claimed as eligible for foster care beginning in FY2003.

## Federal Spending for Foster Care and Adoption Assistance

**Figure 1** illustrates the federal share of total state claims for foster care and adoption assistance under Title IV-E from FY1987-FY2000, controlling for inflation. For foster care, expenditures include the federal share (based on the appropriate matching rate) of total state claims for maintenance payments, administrative costs, training, and beginning in 1994, expenditures for State Automated Child Welfare Information Systems (SACWIS). Adoption assistance expenditures include the federal share of total state claims for adoption assistance payments, administrative costs, and training.

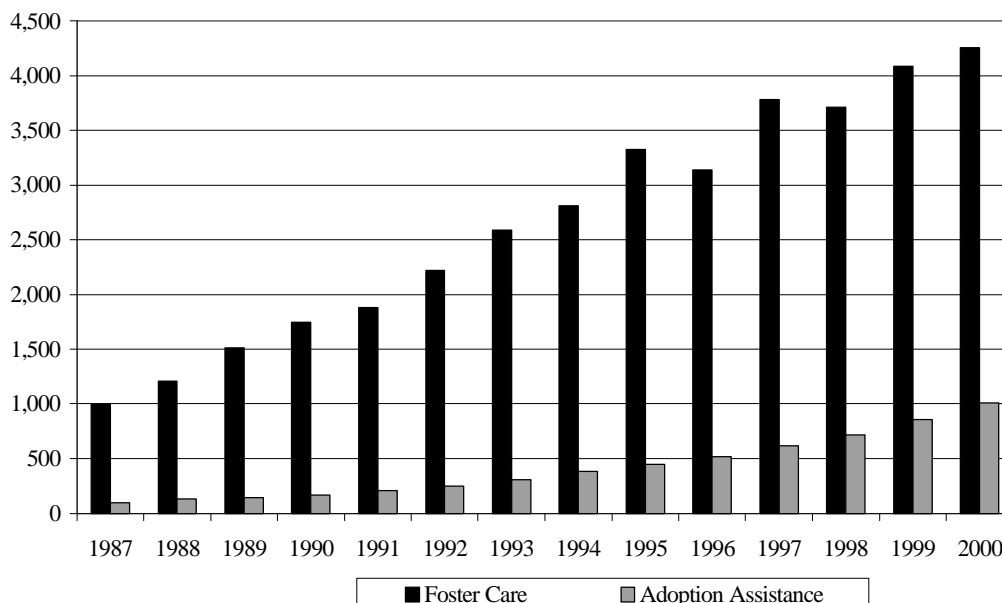
Controlling for inflation, **Figure 1** illustrates that the federal share of total state claims under Title IV-E (foster care and adoption assistance combined) has increased over the past 14 years, from approximately \$1.1 billion in FY1987 to \$5.3 billion in FY2000, an increase of 381%.<sup>15</sup> Federal funding for foster care under Title IV-E increased from \$999 million in FY1987 to \$4,255 million in FY2000. For adoption assistance, federal funding has increased more dramatically, from \$96 million in FY1987 to \$1,012 million in FY2000, an increase of 949%.

Although both foster care and adoption assistance have seen an increase in federal and state expenditures, the two categories have experienced different rates of growth over the years. As **Figure 1** illustrates, federal funding for foster care grew rapidly from FY1987-FY1993, but since FY1993, the rate of growth in federal foster care expenditures has slowed down with expenditures decreasing in FY1996 and FY1998 compared to the prior year (controlling for inflation). At the same time, federal expenditures for adoption assistance have increased more rapidly and more consistently over the past 14 years. While the federal share of expenditures for foster care grew 159% from FY1987-FY1993, the federal share of expenditures for adoption assistance grew 221%. And while federal foster care expenditures grew 65% from FY1993-FY2000, federal expenditures for adoption assistance increased 227% over this period of time.

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<sup>15</sup> This report uses a Gross Domestic Product (GDP) deflator, calculated using data provided by the U.S. Department of Commerce, Bureau of Economic Analysis, to control for inflation.

**Figure 1. Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000  
(in millions of FY2000 dollars)**

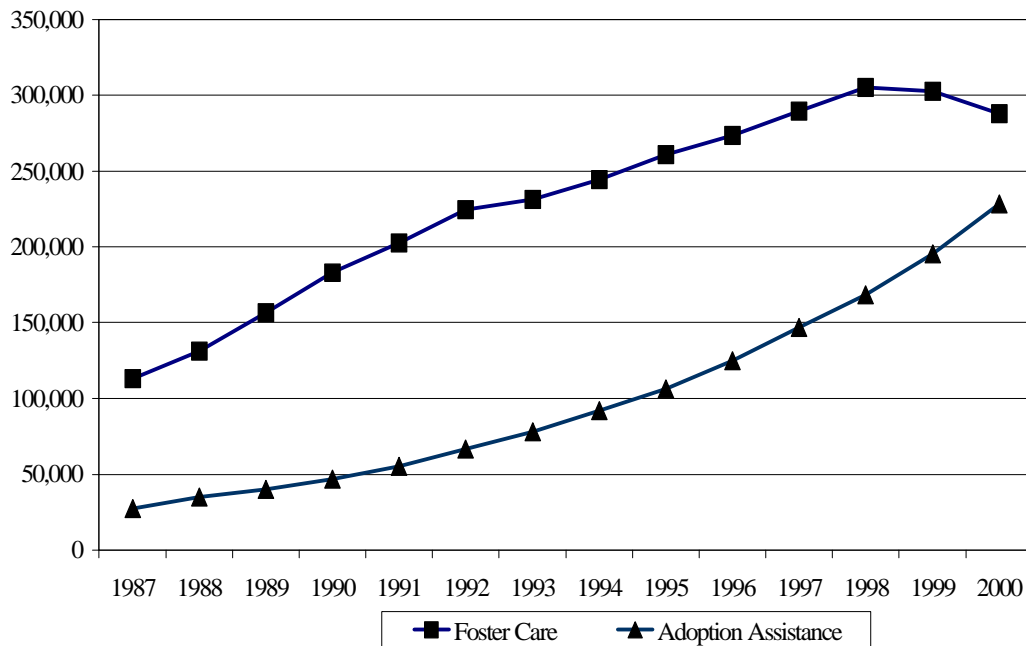


**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). These data reflect information for the 50 states, the District of Columbia, and beginning in FY1999, Puerto Rico.

**Figure 2** illustrates the average monthly number of children who were claimed by states as eligible for federal reimbursement for foster care and adoption assistance activities under Title IV-E. As one would expect, the number of children who were claimed by states has increased as federal expenditures have gone up. Also mirroring the expenditure data, the growth in the average monthly number of children who were claimed by states as eligible for adoption assistance has been larger than the growth in the number of children eligible for foster care. Nationally, the number of children who were claimed as federally eligible for foster care increased from 112,998 in FY1987 to 305,194 in FY1998, but subsequently decreased to 287,824 in FY2000 (an increase of 155% from FY1987-FY2000).<sup>16</sup> The number of children who were claimed as federally eligible for adoption assistance has increased 728%, from 27,588 in FY1987 to 228,307 in FY2000.

<sup>16</sup> These numbers represent children who are claimed by states as meeting the Title IV-E eligibility criteria; therefore, expenses associated with these children may be reimbursed by the federal government. The *total* number of children in foster care (regardless of Title IV-E eligibility) was 300,000 in 1987 and 581,000 in 1999 (data for 2000 are not yet available).

**Figure 2. Average Monthly Number of Children Claimed by States as Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**



**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). These data reflect information for the 50 states, the District of Columbia, and beginning in FY1999, Puerto Rico.

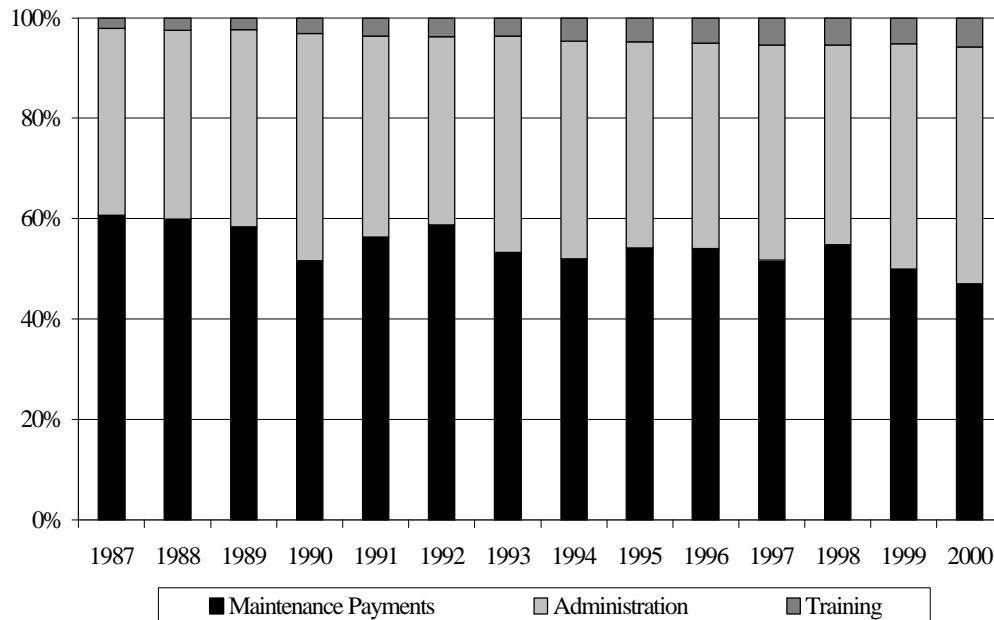
## Distribution of Spending Among Categories

**Foster Care.** As federal spending for foster care activities under Title IV-E increased from FY1987-FY2000, the use of these funds by states changed. **Figure 3** illustrates the distribution of the federal share of total state claims for maintenance payments, administrative costs, and training for foster care under Title IV-E from FY1987-FY2000.<sup>17</sup> As this figure illustrates, compared to FY1987, states were spending a larger share of federal funds on administration (including child placement services) and training in FY2000, with a smaller percentage of funds devoted to foster care maintenance payments. In FY1987, 61% of federal foster care funding was spent on maintenance payments, a percentage that decreased over time to 47% of spending in FY2000. At the same time, administrative costs were 37% of federal foster care spending in FY1987, but accounted for 47% in FY2000 (the same as the percentage for foster care maintenance payments in FY2000). Training as a percentage of overall federal foster care spending tripled, from 2% in FY1987 to 6% in FY2000.

<sup>17</sup> For purposes of **Figure 3**, expenditures for the State Automated Child Welfare Information Systems (SACWIS) were excluded (as they did not begin until 1994). Also excluded are costs associated with the HHS child welfare waiver experiments, for which a separate expenditure category appears beginning in FY2000. For a more detailed discussion of data limitations, see Appendix B.

It is important to remember that “administrative” costs include a very broadly defined array of services, including the time of caseworkers spent in court, placing children in out-of-home care, developing case plans, managing and supervising children’s cases, and recruiting and licensing foster homes and institutional placements. These activities are directly affected by federal mandates and child protection requirements, which have become more detailed as Congress has amended Title IV-E in recent years.

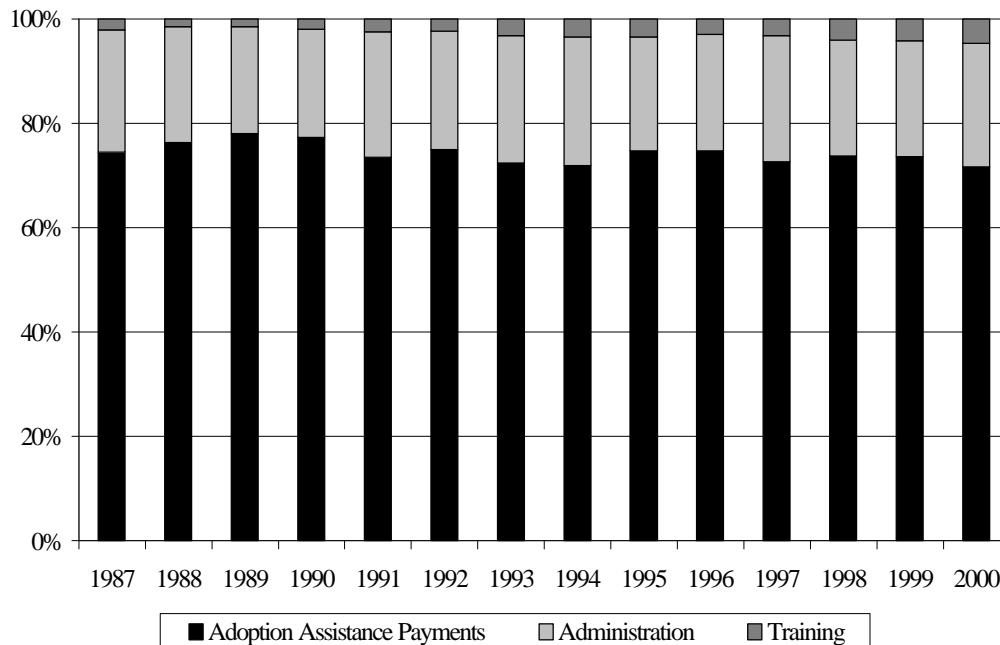
**Figure 3. Distribution of Federal Expenditures for Maintenance Payments, Administration, and Training for Title IV-E Foster Care, FY1987-FY2000**



**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). These data reflect information for the 50 states, the District of Columbia, and beginning in FY1999, Puerto Rico.

**Adoption Assistance.** Unlike the distribution of spending for foster care, the distribution of federal expenditures for adoption assistance payments, administration, and training has remained relatively constant, as illustrated in **Figure 4**. Adoption assistance payments to families account for by far the largest share of expenditures, comprising 75% of expenditures in FY1987 and 72% of expenditures in FY2000. Administrative costs comprised 23% of total federal funding in FY1987 and 24% in FY2000 and the share of funds devoted to training increased, from 2% in FY1987 to 5% in FY2000.

**Figure 4. Distribution of Federal Expenditures for Assistance Payments, Administration, and Training for Title IV-E Adoption Assistance, FY1987-FY2000**



**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). These data reflect information for the 50 states, the District of Columbia, and beginning in FY1999, Puerto Rico.

## Federal Child Welfare Spending in Six Selected States

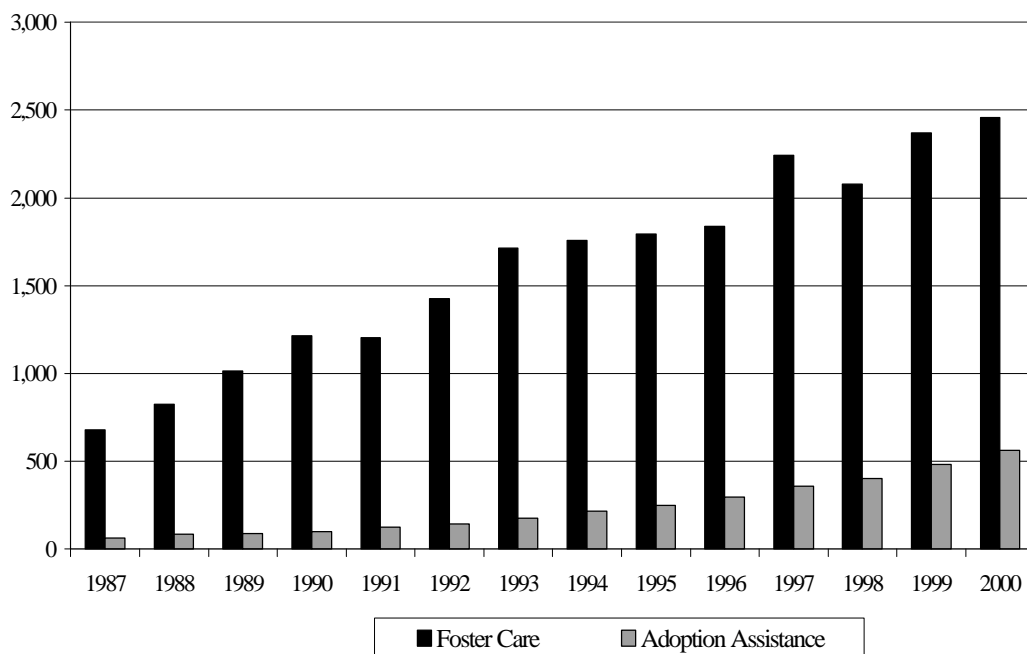
The previous figures illustrate national trends in federal funding for foster care and adoption assistance under Title IV-E. However, child welfare spending varies considerably by state.<sup>18</sup> This section explores federal child welfare funding in six selected states - California, New York, Pennsylvania, Illinois, Michigan, and Ohio.<sup>19</sup> These were the six largest states in terms of the average monthly number of children who were claimed as eligible for foster care under Title IV-E in FY1987, accounting for 58% of the eligible population in that year. **Figure 5** illustrates the federal share of total state claims for these six selected states for foster care and adoption assistance under Title IV-E for FY1987-FY2000. **Figure 6** illustrates the total average monthly number of children who were claimed as eligible for foster care and adoption assistance under Title IV-E in these six states for FY1987-FY2000. In general, the

<sup>18</sup> Appendix C includes three tables to illustrate this state variation. Appendix **Tables C-1** and **C-2** illustrate the federal share of total state claims and the average monthly number of children claimed as eligible for foster care and adoption assistance, respectively, under Title IV-E, by state for FY1998-FY2000. Appendix **Table C-3** illustrates the distribution of funds among categories of foster care and adoption assistance under Title IV-E, by state, for FY2000.

<sup>19</sup> These six states are illustrated separately in Appendix D.

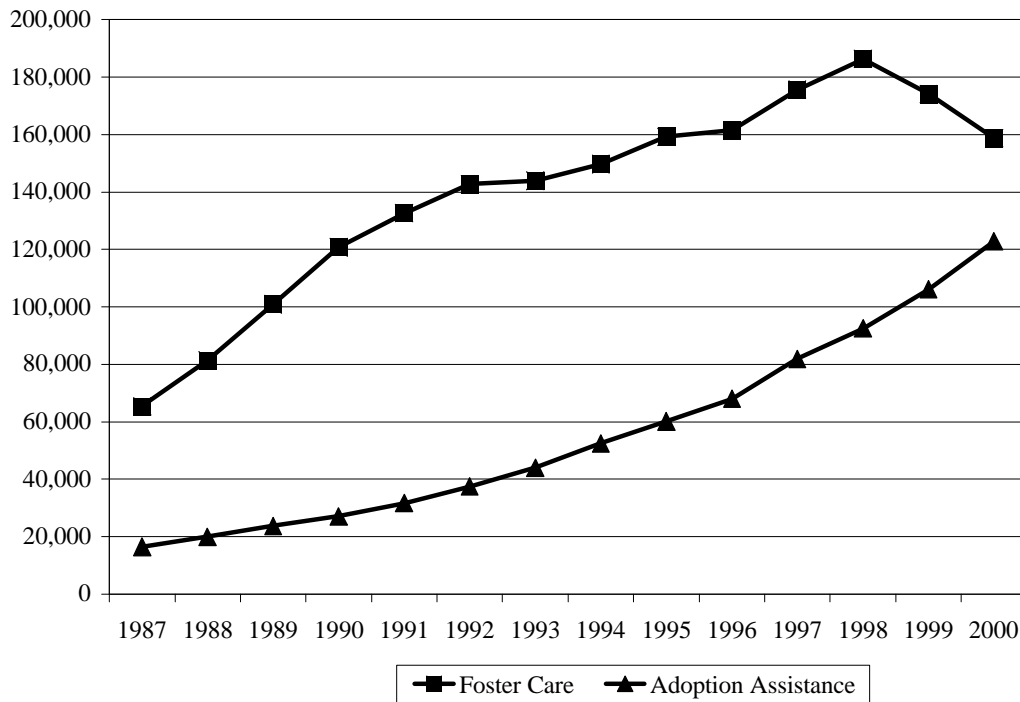
trends observed for these six states as a group are similar to those observed nationally in **Figures 1** and **2**.

**Figure 5. Federal Expenditures for Title IV-E Foster Care and Adoption Assistance for Six Selected State, FY1987-FY2000 (in millions of FY2000 dollars)**



**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). The six selected states are California, Illinois, Michigan, New York, Ohio, and Pennsylvania

**Figure 6. Total Average Monthly Number of Children Claimed as Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance for Six Selected States, FY1987-FY2000**



**Source:** Figure prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). The six selected states are California, Illinois, Michigan, New York, Ohio, and Pennsylvania.

In addition to reflecting the national trends in federal funding as well as the total eligible population, these six states also reflect national trends in the distribution of spending for expenditures for foster care and adoption assistance. **Table 1** illustrates the distribution of the federal share of total state claims for foster care and adoption assistance under Title IV-E for all the states, as well as the comparable percentage distribution among these six states (the percentages for all states are illustrated in **Figures 3 and 4**).

**Table 1. Distribution of Federal Expenditures for Foster Care and Adoption Assistance under Title IV-E for All States and Six Selected States, FY1987 and FY2000**

	1987		2000	
	All states	Six selected states	All states	Six selected states
<b>Title IV-E Foster Care</b>				
Maintenance payments	61%	64%	47%	48%
Administration	37%	34%	47%	48%
Training	2%	2%	6%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Title IV-E Adoption Assistance</b>				
Assistance payments	75%	76%	72%	71%
Administration	23%	21%	24%	25%
Training	2%	3%	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source:** Table prepared by the Congressional Research Service (CRS) using data provided by the U.S. Department of Health and Human Services (HHS). Detail may not sum to total due to rounding.

Although the trends observed in **Table 1** are similar for *all* states as well as the six selected states, the distribution of federal funds for the remaining states (that is, excluding these six states) illustrates a different pattern. Among the remaining states, foster care maintenance payments comprised a lower percentage of the overall spending in FY1987 (54%), but an amount comparable to all the states (46%) in FY2000. However, administration was a larger percentage of overall foster care spending in FY1987 in the remaining states (45%) and therefore has only slightly increased over the past 14 years (46% in FY2000). At the same time, training as a percentage of overall spending for foster care quadrupled among the remaining states, growing from 2% in FY1987 to 8% in FY2000. For adoption assistance under Title IV-E, training as a percentage of overall spending among the remaining states increased from 1% in FY1987 to 5% in FY2000. And, unlike the trends observed for all the states and for the six selected states, adoption assistance payments in the remaining states *increased* from 71% in FY1987 to 73% in FY2000, while administrative costs as a percentage of overall spending for adoption assistance *decreased* from 28% in FY1987 to 23% in FY2000.

The six selected states continue to play a role in explaining trends in child welfare spending; however, their participation in foster care as well as adoption assistance has changed over the past 14 years. Cumulatively, these six states accounted for 58% of the Title IV-E foster care population in FY1987, compared to 55% in FY2000. These six states also accounted for 68% of the federal share of total state claims for Title IV-E foster care in FY1987, compared to 58% in FY2000. Similar trends were observed for adoption assistance. These states' share of the total population eligible for adoption assistance fell from 60% in FY1987 to 54% in FY2000, while their share of the total federal funding for Title IV-E adoption assistance also fell from 64% in FY1987 to 56% in FY2000.

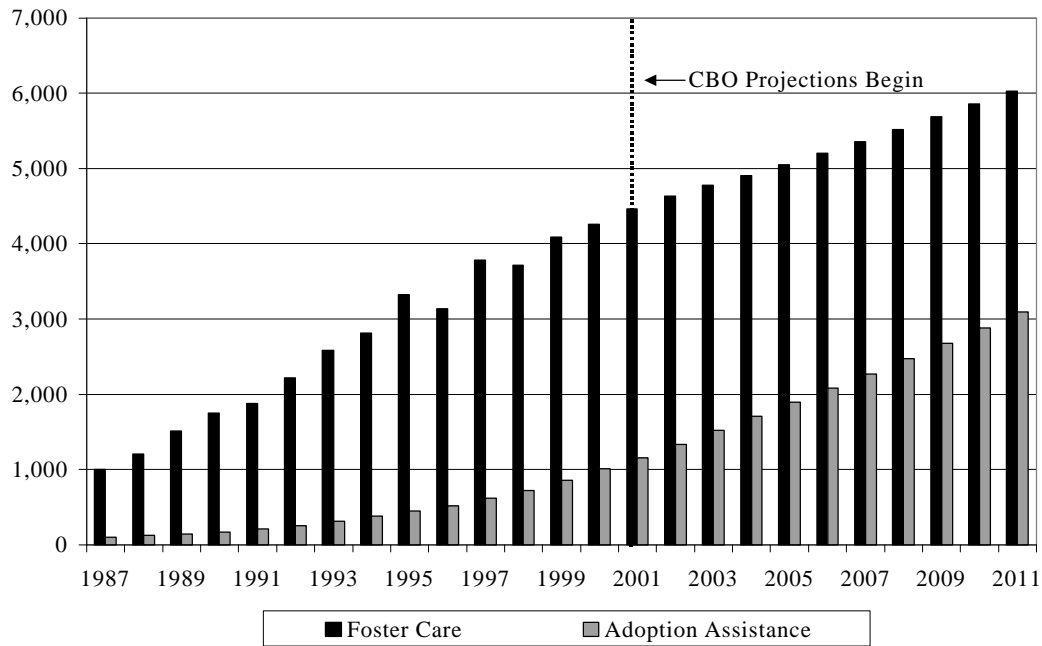
As the role of these six selected states in influencing national trends in federal child welfare spending has decreased over time, the role of other states has increased. It is important to note that foster care and adoption assistance under Title IV-E are open-ended entitlements and there is no limit on total federal spending. Each state determines its own payment rates for both foster care and adoption assistance as well as its own priorities for expenditures on administration and training. Given the variation among states in payment rates as well as other expenditures, the states with the largest share of the foster care population will not necessarily be the largest spenders or have the largest share of federal funds. For example, Pennsylvania was one of the six largest states in terms of its share of the total population of children eligible for federal reimbursement under Title IV-E in FY1987. However, five states with a smaller share of the total foster care population (Texas, Minnesota, Wisconsin, Maryland, and New Jersey) had a larger share of total federal funding for foster care under Title IV-E in FY1987.

## Projections for Future Child Welfare Spending

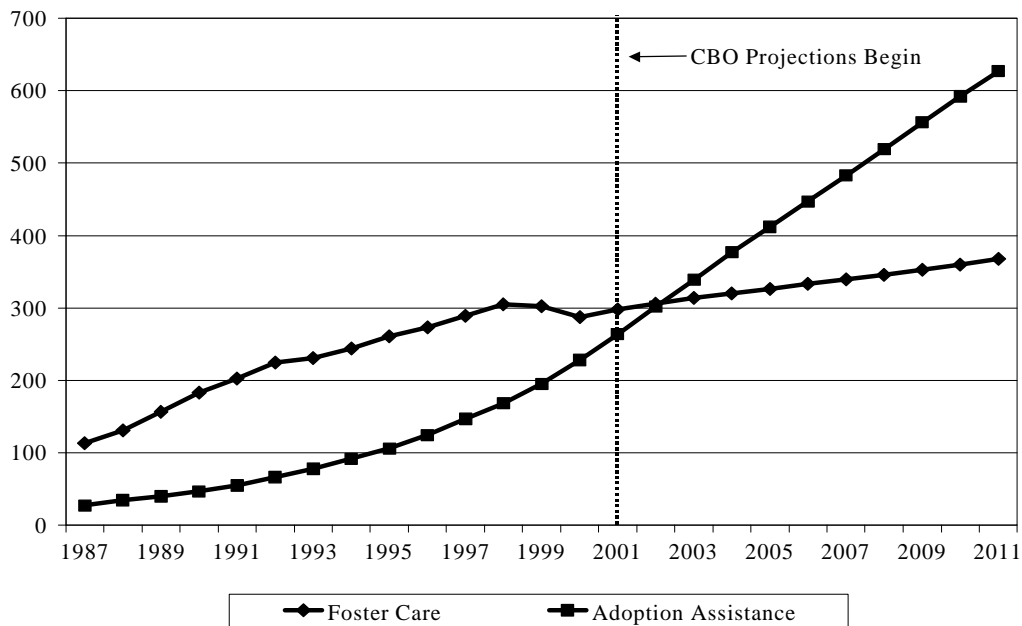
As just shown, child welfare spending levels have changed dramatically over the past 14 years. **Figure 7** illustrates the trends in the federal share of total state claims for foster care and adoption assistance under Title IV-E for FY1987-FY2000, but also includes the projections for federal spending for these two activities for the next 10 years, as estimated by the Congressional Budget Office (CBO). **Figure 8** illustrates the trends in the average monthly number of children eligible for federally funded foster care and adoption assistance, as well as the projections assumed by CBO for the next 10 years. These figures illustrate two important points. First, CBO is projecting that the federal share of expenditures for foster care and adoption assistance are going to continue to grow (controlling for inflation) over the next 10 years. And, the programs will continue to grow at different rates, with federal expenditures for adoption assistance growing at a much faster rate than federal expenditures for foster care under Title IV-E. Second, although historically the average monthly number of children claimed as eligible under Title IV-E for foster care has been larger than the number claimed as eligible for adoption assistance, beginning in FY2003, CBO estimates that the population eligible for adoption assistance will surpass the foster care population under Title IV-E and will continue to grow at a much faster rate.

Although not illustrated here, CBO is also projecting that trends in the *distribution* of spending under foster care will continue to mirror current trends. That is, CBO expects that the largest share of federal expenditures for Title IV-E foster care will be for administration (49% in FY2001 and 51% in FY2011), the share of overall spending for maintenance payments will continue to fall (46% in FY2001 and 43% in FY2011), and the share of funds devoted to training will remain small (5% in each of FY2001 and FY2011). CBO also expects that the distribution of spending under adoption assistance will continue in much the same pattern as currently illustrated in **Figure 4**. Adoption assistance payments will continue to comprise the majority of these expenditures (72% in FY2001 and 76% in FY2011), administration will decrease slightly as a share of overall spending (23% in FY2001 and 20% in FY2011), and training will continue to comprise a small share of spending (5% in FY2001 and 4% in FY2011).

**Figure 7. Actual and Projected Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2011 (in millions of FY2000 dollars)**



**Figure 8. Actual and Projected Average Monthly Caseload for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2011 (in thousands)**



**Source:** Congressional Research Service (CRS). Data for FY1987-FY2000 were provided by the Department of Health and Human Services (HHS). Projections illustrated for FY2001-FY2011 are based on data provided by the Congressional Budget Office (CBO).

## Prevailing Views of the Current System

### Perceived Weaknesses

As federal spending for child welfare activities has grown, the financing structure has increasingly been seen as interfering with the ability of states to meet the needs of children and families. The system is often criticized as complex, burdensome for administrators and social workers, and inflexible. Most discussions of child welfare financing focus primarily on foster care and adoption assistance under Title IV-E because they are the largest sources of funding and, as the previous section showed, have seen dramatic growth. One feature of the current system – the AFDC eligibility requirement for foster care and adoption assistance – is a particular source of frustration for many policy makers and administrators, who view it as outdated and inappropriate. The current system also has no specific provisions to address an increasingly important form of foster care – care by relative caretakers or “kinship” foster care.

**Complexity.** The sheer complexity of the current system is a frequently raised concern. Although virtually all funds under Titles IV-B, IV-E and CAPTA go to the state child welfare agency, they are provided through different grants, with different financing structures, allocation provisions and matching rates. Foster care and adoption assistance under Title IV-E are further subdivided into three components each (maintenance or assistance payments, training, and administration), which also have different matching rates. In addition, states must submit multiple plans and applications to receive all of the authorized grants, although the requirements contained in these plans and applications are intended to work together to constitute a comprehensive federal child welfare policy.<sup>20</sup>

The financing structure of foster care and adoption assistance is generally considered the most burdensome by the states. Because these programs operate as open-ended entitlements, states must document and HHS must determine the eligibility of every expenditure for reimbursement by the federal government. To be eligible for federal reimbursement, foster care maintenance payments must be made on behalf of eligible children. In addition to the AFDC eligibility requirement, which is discussed in more detail below, states must document that certain judicial findings were made with regard to the child’s placement in foster care, that the state is responsible for the child’s placement and care, and that the child has been placed in a licensed home or facility. Likewise, adoption assistance payments must be made on behalf of eligible children to be reimbursable by the federal government, but the eligibility criteria governing children receiving adoption assistance differ from those governing foster children. Again, children must be eligible for AFDC, as it existed in

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<sup>20</sup> In practice, HHS requires states to submit a consolidated plan for CAPTA, Title IV-B of the Social Security Act, and the Foster Care Independence program, with annual progress and status reports. This consolidated child and family services plan is separate from the Title IV-E state plan.

their state on July 16, 1996, or be eligible for SSI, but also must have special needs as determined by their state.<sup>21</sup>

Expenditures for training and administration under Title IV-E must be “cost-allocated,” which generally means that only that ratio of expenditures equal to the state’s ratio of Title IV-E-eligible foster children (i.e., eligible children as a proportion of the state’s entire foster care caseload) may be reimbursed by the federal government.<sup>22</sup> Cost-allocation is further complicated by an HHS Departmental Appeals Board (DAB) ruling in 1987, which found that states may be reimbursed for certain administrative expenditures on behalf of Title IV-E “candidates,” during the time *before* it is determined whether such children are actually eligible under the provisions of Title IV-E.

**The AFDC Connection.** As described earlier, the AFDC requirement in Title IV-E limits eligibility for federal foster care and adoption subsidies to those children who would have been eligible for AFDC, as that program existed in their state on July 16, 1996, if they had been living in their biological home.<sup>23</sup> The origin of this requirement can be traced back to the early 1960s, when federal foster care subsidies first were authorized as a component of the AFDC program. However, the policy rationale for the AFDC connection has become increasingly murky over the years, and especially since 1996, when AFDC was repealed and replaced by the Temporary Assistance for Needy Families (TANF) block grant.

HHS estimates that about 55% of all foster children are currently claimed by states as eligible under Title IV-E. Little is known about the differences between foster children who are Title IV-E-eligible and those who are not. However, it is generally believed that they are removed from home and placed in foster care for the same basic reasons; i.e., they have been abused or neglected in their biological home or otherwise need protection through placement in out-of-home care, under state responsibility and with judicial oversight. Thus, it can be argued that the income and welfare eligibility status of their biological parents has nothing to do with their need for foster care and that AFDC or any other means-tested eligibility criteria is not relevant. For children receiving adoption assistance, it can be argued that the AFDC eligibility criterion is even less appropriate, since it ties a child’s eligibility for federal subsidies to the income and welfare status of biological parents whose parental rights to that child have been terminated. Furthermore, caseworkers often find it difficult or awkward to obtain information about income and assets from parents whose children have just been removed from their homes. And, in the case of abandoned children, this information often cannot be obtained at all.

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<sup>21</sup> In January 2001, HHS issued a policy announcement (PA-01-01), which states that children who are voluntarily placed with or relinquished to a private nonprofit agency, but are not eligible for Title IV-E foster care maintenance payments, are not eligible for Title IV-E-subsidized adoption assistance. This is a change from previous policy.

<sup>22</sup> State expenditures for HHS-approved SACWIS systems (State Automated Child Welfare Information Systems) are not subject to cost-allocation rules.

<sup>23</sup> Children may also qualify for federally subsidized adoption assistance if they are eligible for Supplemental Security Income (SSI).

Regardless of whether any means-tested eligibility criteria are appropriate for foster care or adoption assistance, the specific use of AFDC has been increasingly questioned in recent years. As stated above, AFDC was repealed in 1996 and replaced by the TANF block grant. However, for purposes of Title IV-E foster care and adoption assistance, and also for Medicaid, the eligibility criteria used by states under AFDC on July 16, 1996, were frozen and retained.<sup>24</sup> When AFDC existed, social workers could determine relatively easily whether a family was receiving benefits under that program. This process is more difficult under current law, since a family now receiving welfare under criteria established for TANF might not necessarily have been eligible for AFDC under the July 1996 criteria. Moreover, there is no adjustment permitted in the 1996 criteria. Thus, there is concern that fewer children might be eligible for reimbursement under Title IV-E over time, as the value of the July 16, 1996, eligibility criteria erodes.<sup>25</sup>

Because of the eligibility requirements that govern Title IV-E expenditures, administrators and caseworkers frequently report that the eligibility determination process is costly, both in staff time and additional administrative expenditures. However, according to HHS, only about 4% of reimbursement claims for administrative costs related to foster care in FY1999 were due to the eligibility determination process.<sup>26</sup>

**Inflexibility.** One of the major criticisms of federal child welfare policy is its inflexibility regarding the use of funds by states. Specifically, critics note that most federal funds are available to states only after children have been removed from their homes, and a comparatively small and limited amount of resources are available to help prevent and treat the conditions that cause children to be removed from home in the first place. It has been argued that this financing structure actually encourages and rewards states for removing children from their homes and for placing and keeping them in foster care. It is further argued that states have no incentive to shorten the

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<sup>24</sup> The welfare reform law originally established June 1, 1995, as the “look-back” date for AFDC eligibility criteria for use in determining Title IV-E eligibility. This was subsequently changed to July 16, 1996, to be consistent with the look-back date for Medicaid. However, under Medicaid, these criteria may be adjusted for various reasons, including changes in the Consumer Price Index (CPI), and states may adjust the methodologies they use in counting income and assets, which has enabled them to liberalize treatment of the July 16, 1996, eligibility criteria. These adjustments are not authorized for either foster care or adoption assistance.

<sup>25</sup> Many states have changed their eligibility rules for welfare since enactment of TANF. For example, many states have raised resource eligibility limits from those that existed under AFDC. Federal law limited AFDC to families with countable resources below \$1,000. The value of one vehicle with an equity value of up to \$1,500 was excluded from AFDC countable resources. Under TANF, many states have raised the resource eligibility limits above \$1,000 and exclude more of the value of vehicles (sometimes excluding the entire value of a vehicle). For TANF resource eligibility limits in effect as of July 1, 2000, see RL30579, *Welfare Reform: Financial Eligibility Rules and Cash Assistance Amounts under TANF*, by Craig Abbey, December 2000, p. 16-20.

<sup>26</sup> U.S. Congress. House Ways and Means Committee, *2000 Green Book*, October 6, 2000, p. 664.

length of time that children remain in foster care, because they lose federal matching funds on behalf of those children when their case is closed, and because they have only limited federal resources to use for activities to support, preserve, or reunite families, or to develop and support adoptive placements.<sup>27</sup>

The most flexible funds provided under current law are available through Subpart 1 of Title IV-B (child welfare services) and adoption incentive payments. Although Subpart 1 limits the amount of funds that may be used for work-related child care, foster care or adoption assistance, it imposes no eligibility or other requirements on the children or families that may be served, nor does it mandate that any particular type of service be provided. Subpart 1 also contains a very broad definition of child welfare services (see footnote 3). Likewise, funds provided to states as adoption incentive payments under Section 473A may be used for any child welfare-related activity. However, as noted earlier, funding for these programs is relatively small; i.e., \$292 million for child welfare services and \$43 million for adoption incentives in FY2001.

Grants to states under Subpart 2 of Title IV-B (Promoting Safe and Stable Families) also are not restricted by federal law as to income or any other characteristic of families that may be served. However, the law specifies and defines four types of child welfare services that must be supported with these funds (i.e., community-based family support, family preservation, time-limited family reunification, and adoption promotion and support). The law requires that no more than 10% of each state's allotment may be used for administrative purposes and that "significant portions" of the remainder must be used for each of the four specified child welfare activities. HHS has instructed states that, in general, a minimum of 20% of their allotments must be used for each of the four activities. In FY2001, this program received \$305 million (from which funds are reserved for court improvement grants, research, technical assistance, and grants to Indian tribes). Thus, states are technically required to spend a minimum of \$57 million for each of the four authorized activities (20% of the \$286 million remaining after set-asides).<sup>28</sup>

Although states have flexibility in the use of their CAPTA grants, these funds are generally intended to support the "front-end" of the child welfare system, known as the "child protective services" (CPS) system. This is the child welfare component that focuses on prevention, identification, and investigation of child maltreatment reports. Thus, some of the activities authorized under Title I of CAPTA include intake,

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<sup>27</sup> On the other hand, state officials maintain that social workers and judges who oversee the cases of foster children do not consider the availability of federal funds in determining the appropriate action on behalf of an individual child. Moreover, state plan requirements and other provisions of federal law – including the adoption incentive payments authorized in 1997 – are intended to protect children from being placed or retained in foster care unnecessarily.

<sup>28</sup> On average, states were planning to spend less than 20% for the two newest activities in FY1999, based on reports submitted to HHS, primarily because they were phasing these new services in while trying to minimize disruption in ongoing family preservation and family support programs. (**Source:** *Analysis of States' 1998 Annual Progress and Services Reports: The Family Preservation and Family Support Implementation Study*, James Bell Associates, Arlington, Va., March 23, 2001.)

assessment, screening and investigation of abuse and neglect reports; development of multidisciplinary teams to enhance investigations; case management; development of risk assessment tools; training for individuals mandated to report child abuse or neglect; and development of community-based programs intended to prevent child abuse.

As amended in 1999, the revised independent living program has been characterized by some observers as a “block grant,” because it provides funds that are intended to achieve certain outcomes (i.e., to improve the employment and education prospects and transition to independent living for older foster children), but the law does not mandate or specify how these outcomes are to be achieved. Thus, funds may be used flexibly, within the overall goals and for the target population specified in law.<sup>29</sup> The target population is not defined by income, but rather by age (under 21) and likelihood of remaining in foster care until age 18. Again, this program is relatively small, with FY2001 funding of \$140 million.

Grants to states for foster care and adoption assistance under Title IV-E are the least flexible funds available from the federal government for child welfare activities. As already described, these funds are available only for certain categories of expenditures on behalf of certain categories of foster or adopted children, subject to a means test. However, they are the largest federal child welfare funding streams in terms of expenditures (an estimated \$6.2 billion in FY2001), and the only ones that operate with no cap on federal spending. Most reform proposals focus on these two funding streams and, in particular, foster care.

**Relative Caretakers.** According to HHS, relatives were functioning as foster parents for 26% of foster children in 1999. However, with some exceptions, federal child welfare law does not recognize a distinction between relative caretakers and other types of foster care providers. Under Title IV-E, two types of subsidies may be supported with federal funds: (1) foster care maintenance payments for children who are placed in licensed foster homes or institutions; and (2) adoption assistance payments for children with special needs. Neither subsidy is explicitly intended for relative caretakers, although relative caretakers can and do receive both types, if all necessary conditions are met.

In general, relatives caring for children fall into one of several categories. Many children live with grandparents or other relatives through informal arrangements that do not involve the child welfare agency or the court. In such cases, the relatives may receive no public assistance at all on behalf of the child, or may potentially receive a TANF benefit if the child is poor. If the relatives themselves are low-income, they may be eligible to receive a TANF benefit to cover their own needs, although TANF work and time limit requirements may apply in such cases. While all of these family arrangements are generically referred to as “kinship care,” they would not necessarily be considered “kinship *foster* care.”

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<sup>29</sup> However, the 1999 amendments limit spending for room and board for 18-20-year-olds to a maximum of 30% of state allotments.

Some children live with grandparents or other relatives because they were placed there by the child welfare agency or the court. The state may pay nothing to these relatives, or they may pay a TANF benefit, or a foster care subsidy, depending on the circumstances. (Foster care subsidies are almost always higher than TANF benefits.) However, for the state to claim federal reimbursement under foster care for any expenses associated with the child, the state has to have legal responsibility for the child and the caretaker must comply with state licensing requirements. In that case, under the 1979 Supreme Court *Miller v. Youakim*<sup>30</sup> decision, the state must pay the same foster care subsidy to the relative caretaker as would be paid to a non-relative foster care provider. In other words, states may not discriminate in their payment rates to relative caretakers *who are licensed* (in cases that otherwise meet Title IV-E eligibility criteria). However, many relatives are not licensed as foster parents and therefore, may receive less than their licensed counterparts or nothing at all.

Children who are under state care but are living with relatives, licensed or otherwise, must be given the same protections as other foster children, under the state plan requirements of Titles IV-B and IV-E. In other words, reasonable efforts must be made to reunite them with their parents if safe and appropriate, case plans must be written and permanency plans must be established, and they must have regular administrative and judicial reviews. In addition, the law requires states to initiate procedures to terminate parental rights for children who have been in foster care for 15 of the most recent 22 months. States may make exceptions to this requirement for three specified reasons, one of which is that the child is living with a relative.<sup>31</sup> However, these exceptions must be made on a case-by-case basis, according to HHS regulations.<sup>32</sup>

Relatives who adopt their related children may be eligible to receive adoption assistance, if the child meets all requirements including that they have special needs as defined by their state. Adoption requires termination of all parental rights (TPR) of the child's biological parents.

Some kinship care proponents have argued that current financing rules do not recognize the unique situations of relative caretakers. For example, relatives caring for children may need the financial (and social service) support of the state child welfare agency, but cannot meet licensing requirements for some reason, or don't want the ongoing intrusion of social workers and judges continuously reviewing their case. While adoption may be appropriate for some families, it requires TPR, which is a legal adversarial process and may not always be in a child's best interests. Intermediate arrangements, such as legal guardianship, might be the best option for

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<sup>30</sup> 440 U.S. 125 (1979).

<sup>31</sup> The other two exceptions are when the state agency has documented in the child's case plan a compelling reason to determine that termination of parental rights would not be in the child's best interests, or if the state has not provided necessary services to the family.

<sup>32</sup> *Federal Register*, January 25, 2000. p. 4020-4093.

some children, but no federally assisted subsidy is available (other than possibly welfare) because the arrangement is not considered either foster care or adoption.<sup>33</sup>

## Perceived Strengths

While many policymakers, administrators, and child advocates have expressed the concerns raised above, many also defend the current financing system for several specific reasons. Because foster care is funded on an open-ended entitlement basis, many believe that Title IV-E is one of the last safety nets for states, providing them with resources as needed to support abused and neglected children without any predetermined cap on federal spending. In addition, the current system requires states to guarantee certain protections for children in (or at risk of being placed in) foster care, and these protections are further reinforced through the Title IV-E reimbursement process. And finally, Congress has recently allowed states to conduct child welfare demonstration projects that provide some flexibility under the current financing structure and that also will eventually produce evaluation findings to help inform legislative proposals in the future.

**Safety Net for States.** For many state officials and child advocates, a crucial feature of the current federal financing system is the safety net provided to states in case of unanticipated increases in their foster care caseloads. If the number of children entering foster care in a particular state goes up, the amount of federal resources available to that state also goes up, as long as the children and expenditures meet Title IV-E eligibility criteria. There is no limit on the amount of federal funds that a state is entitled to receive as partial reimbursement for the costs of serving eligible children. For example, between 1985 and 1990, the number of children in foster care rose sharply, from 276,000 to 400,000. The cause of this increase was generally believed to be the introduction of crack cocaine in the mid-to-late 1980s. Although the crack epidemic was a phenomenon largely beyond the control of state governments, the impact of a skyrocketing foster care population was felt acutely at the state level. While states increased their own spending on foster care during this period, additional federal support also was available because of the financing structure of Title IV-E. Federal expenditures for foster care under Title IV-E almost tripled between 1985 and 1990, from \$546 million to \$1.5 billion.

The crack epidemic – and its devastating impact on children – is the most recent and dramatic example of an unexpected change in the environment that can have staggering fiscal impacts on the child welfare system. Many observers fear such an event could occur again, and therefore, the existing “safety net” must be maintained. For example, some child advocates are concerned that a downturn in the economy or elimination of welfare benefits because of time limits or other requirements of welfare reform could affect the size of the foster care population, either by causing more

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<sup>33</sup> States may use their own funds to provide subsidies to relative guardians. In addition, under federal waiver authority, some states are experimenting with subsidized guardianship arrangements under Title IV-E. See discussion of waivers on page 26 of this report.

children to enter the system or by hindering efforts to restore families and return children home.<sup>34</sup>

Since enactment of the Adoption and Safe Families Act in 1997, states also must meet timetables intended to move children more quickly toward adoption and not allow them to linger indefinitely in foster care. For children with special needs, whose adoptions may require ongoing subsidies throughout their childhoods, states also have a safety net as a result of the open-ended entitlement nature of adoption assistance under Title IV-E. As with foster care, if the number of special needs children who are adopted in a given state increases, the amount of federal resources available to the state to support these children also increases, if the children meet federal eligibility criteria. (As discussed earlier, CBO estimates that nationally, children eligible for federally subsidized adoption assistance will grow at a rapid pace during the next 10 years, outnumbering children federally eligible for foster care by FY2003.) It can be argued that the current financing structure of the Title IV-E adoption assistance program is consistent with recent federal initiatives to promote and support adoption.

**Mandatory Child Protections.** Advocates of the current federal system point to a series of interrelated provisions, generally known as the law’s mandatory “child protections,” as one of its most important strengths. These provisions are intended to avoid the placement of children in foster care unless necessary for their safety; to ensure that efforts are made to reunify them with their families as soon as safely possible; and to make sure their foster care placement is the least restrictive, most family-like setting appropriate for them, geographically close to their natural family. The federal provisions also require that a written case plan must be developed for every child in foster care; that a permanency plan must be established for every child; that the child’s case must be regularly reviewed through both an administrative and judicial process; and that efforts be made to place the child in accordance with the permanency plan as expeditiously as possible. These provisions apply to all foster children, regardless of whether they meet the eligibility criteria of Title IV-E.

Federal child protections are contained in the state plan requirements for Titles IV-B and IV-E. As explained earlier, for states to be eligible to receive funds under these authorities, they must have state plans in effect that meet all of the requirements – including the child protections – contained in federal law. These requirements are intended to be universal and to protect all children who come into contact with the state child welfare system. In other words, state plan requirements are not limited in their coverage to foster children who are eligible for federal subsidies. However, some of the child protection requirements are *reinforced* through the Title IV-E financing mechanism.

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<sup>34</sup> At the same time, observers note that the safety net operates, for the most part, only after a crisis has occurred and children are removed from their original homes. Current law provides a relatively small (and capped) amount of resources to states for their efforts to provide preventive and supportive services, which might reduce the likelihood of a child’s placement in foster care or shorten the child’s stay. Moreover, the existing safety net does not extend to related agencies that interact with the child welfare system (e.g., state courts, law enforcement, and service providers such as substance abuse or mental health agencies).

For example, as a condition of their plans, states are required to make reasonable efforts to avoid the need to place children in foster care and to make reasonable efforts to return a child home if it can be done safely. This requirement applies to *all* children who enter the child welfare system (unless a court determines that an exception exists). However, if a state claims federal reimbursement for expenditures made on behalf of a *particular* foster child, the state must document to HHS that there has been a judicial determination to the effect that remaining in the natural home would have been contrary to the welfare of that child, and that necessary reasonable efforts – to avoid placement and to enable reunification – have been made. Without documentation of these judicial findings, federal reimbursement on behalf of that child cannot be made.

**Waivers.** While critics often attack the current system as being inflexible, Congress in recent years has allowed states the option of designing child welfare experiments under waivers from federal provisions, subject to the approval of HHS. Initially, in 1994, Congress authorized HHS to grant waivers to 10 states, and in 1997 expanded this authority to allow 10 additional waivers each year for 5 years (through FY2002). The demonstration project must be cost-neutral to the federal government (in terms of expenditures under Titles IV-B or IV-E) and include an evaluation component. These waivers are allowed for 5 years only, and may not include waivers of the child protections required under Titles IV-B and IV-E. States have used these waivers to test various initiatives, such as subsidized guardianship, capped allocations to local governments that can be used flexibly for various services, and fixed-price performance-based payments to providers.<sup>35</sup> It is anticipated that evaluations of these waiver demonstrations will help inform future policy decisions made by Congress.

## Accountability and Judicial Enforcement

There is general unease about the extent to which federal law holds state child welfare agencies accountable for their performance. Although the law requires states to ensure certain protections for children (as described above), federal administrative enforcement of these protections was minimal for many years. HHS has recently developed a new system for monitoring state performance and enforcing federal child welfare law, which was initially mandated by Congress in October 1994 and subsequently went into effect in March 2000.<sup>36</sup> The new system includes extensive on-site reviews, comparison of state performance against national standards, opportunity for corrective action, and imposition of penalties. The system has been enthusiastically received by many, but its effectiveness has not yet been tested.

**Pre-Suter and Suter-Fix.** In the absence of aggressive enforcement by the federal government for much of the last 20 years, child advocates have filed litigation against numerous state and local child welfare agencies. Even now, child advocates maintain that access to the federal courts remains essential as a final recourse to

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<sup>35</sup> For information about state waivers, see the U.S. Congress. House Ways and Means Committee, *2000 Green Book*, October 6, 2000, p. 697-705.

<sup>36</sup> See CRS Congressional Distribution Memorandum, *Child Welfare Review System Final Regulations*, February 7, 2000, by (name redacted). Also see the HHS web site devoted to this review system at: [<http://www.childwelfarereview.com/>].

ensure child protection. Of most relevance to the topic of this report, some advocates of the current financing structure of Title IV-E – as an open-ended entitlement – argue that this structure is essential for the law’s provisions to be enforced through the courts. However, the extent to which even *current* federal child welfare law provides this access is a matter in question.

While some of the lawsuits over the last 20 years have been narrow in scope, many have been class actions alleging a wide array of violations of federal and state law and seeking comprehensive child welfare reform. Many of these cases also have alleged constitutional violations. According to Marcia Lowry, who brought many of the child welfare cases over the past 20 years, initially for the American Civil Liberties Union and subsequently for Children’s Rights, Inc., the specific state plan requirements of Titles IV-B and IV-E were critical in many of these cases. Lowry maintained that the federal law created specific protections and benefits that were enforceable in federal court.<sup>37</sup>

The ability of child advocates to enforce the federal child protections through the courts was challenged in 1992 by the Supreme Court decision in *Suter v. Artist M.*<sup>38</sup> In this case, a class action was filed against the Illinois Department of Children and Family Services for several violations of federal law, most notably failure to make reasonable efforts to prevent the need to remove children from their homes and to reunify children with their families. According to attorneys representing the children, these violations of the federal child welfare law occurred because the agency had not promptly assigned caseworkers after the children were placed in state custody.

The district and appeals courts held in favor of the children. However, the Supreme Court later reversed the appeals court decision and held that the federal law did not create a right that was enforceable through federal court. Instead, because the child protections, including the reasonable efforts provision, were contained as state plan requirements, the law only required that the state have a plan approved by the Secretary of HHS. It was the responsibility of HHS to enforce the implementation of that plan through withholding federal funds for noncompliance, as authorized by Congress. The Court also found that the term “reasonable efforts” was not defined in law because Congress intended to grant the states wide discretion in their interpretation of this term. Thus, the Court ruled that the reasonable efforts requirement did not “unambiguously confer an enforceable right” upon the law’s beneficiaries, regardless of whether it was included in a state plan.

Congress responded to the *Suter* decision by enacting legislation in 1994, which states that in any action brought to enforce a provision of the Social Security Act, that provision is not considered unenforceable simply because it is a state plan requirement.<sup>39</sup> This new language was intended to ensure that an individual’s right

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<sup>37</sup> Lowry, Marcia Robinson Child Welfare Impact Litigation in the 1980s, *Family Law Quarterly*, summer 1986.

<sup>38</sup> 503 U.S. 347 (1992).

<sup>39</sup> This language was inadvertently enacted twice (in identical versions), as Sections 1123 and (continued...)

of action under the Social Security Act was neither expanded nor limited by the *Suter* decision, with regard to any provision required as a component of a state plan. With regard to the reasonable efforts portion of the *Suter* decision, the 1994 provision states that it is not intended to alter the Court's decision that the law's reasonable efforts requirement does not confer a private right of action.

**Post-*Suter* and Suter-Fix.** The environment has changed since the *Suter* decision and the enactment of the so-called “Suter fix” in 1994, in that a federal administrative mechanism now exists to enforce the child protections established in Titles IV-B and IV-E. Nonetheless, the question remains: To what extent are the child protections and other requirements of federal child welfare law currently enforceable through the courts? And, is there any relationship between the financing structure of federal child welfare programs and the extent to which these provisions can be enforced through federal court?

With regard to the first question, there was not necessarily consensus among individuals who were involved in debating the Suter fix legislation in 1994, and since that time, court decisions have been mixed. For example, the Fourth Circuit Court of Appeals ruled in April 1997 that certain state plan requirements under Title IV-E do not confer an enforceable right, for the same reasons cited by the Supreme Court in the *Suter* case, and stated that enactment of the Suter fix legislation “does not alter our view” (*White v. Chambliss*<sup>40</sup>). In *E.F. v. Scafildi*, the U.S. District Court for the Southern District of Mississippi had reached a similar finding in April 1994, relying on the *Suter* decision, and subsequently declined to reconsider the case after the Suter fix was enacted several months later.<sup>41</sup>

Likewise, the U.S. District Court for New Jersey ruled in January 2000, in *Charlie and Nadine H. v. Whitman*, that specific state plan requirements under Titles IV-B and IV-E do not confer an unambiguous right and therefore cannot be enforced in federal court.<sup>42</sup> The particular requirements in that case included: a preplacement preventive services program; case plans and implementation and review of these plans; placement of children in homes or facilities that comply with nationally recommended standards; placement of children in the least restrictive, most family-like setting; proper care of foster children; adherence to a specified timetable for freeing children for adoption; timely permanency planning and service delivery; regular judicial and administrative reviews and dispositional hearings; and development of an adequate child welfare information system. Similarly, the court ruled that certain state plan provisions of CAPTA – dealing with the prompt investigation of maltreatment reports and the protection of children – do not confer unambiguous rights enforceable through the federal courts. Therefore, the children's claims that these provisions had

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<sup>39</sup> (...continued)

1130A of the Social Security Act (P.L. 103-382 and P.L. 103-432).

<sup>40</sup> 112 F.3d 731 (4<sup>th</sup> Cir. 1997).

<sup>41</sup> 851 F. Supp. 249 (S.D. Miss. 1994).

<sup>42</sup> 83 F. Supp. 2d 476 (2000)

been violated were dismissed, although other components of the case were allowed to continue.<sup>43</sup>

On the other hand, the U.S. District Court for Tennessee issued an opposite ruling in October 2000, in *Brian A. v. Sundquist*.<sup>44</sup> In this case, the court ruled that certain state plan requirements under Titles IV-B and IV-E *do* confer an unambiguous right that *can* be enforced through federal court, specifically the requirements dealing with case plans and review systems, placement in homes or facilities that comply with nationally recommended standards, and an adequate child welfare information system. In April 2001, a magistrate judge of the U.S. District Court for the Southern District of Florida also ruled that federal child welfare law creates enforceable rights, and recommended that *Bonnie L. v. Jeb Bush* go forward to trial.<sup>45</sup> And, most recently, the U.S. District Court for the Eastern District of Wisconsin ruled in *Jeanine B. v. Scott McCallum* that Title IV-E provisions established by the Adoption and Safe Families Act of 1997, intended to speed up the adoption process for children in foster care, are federal rights that are enforceable in court.<sup>46</sup>

**Unresolved Questions.** These conflicting decisions leave unresolved questions about the extent to which litigation can be brought in federal court to enforce the statutory provisions of Titles IV-B and IV-E of the Social Security Act. In general, advocates have expressed concerns about recent trends that illustrate the reluctance of courts to find that a private right of action exists to enforce statutory requirements, *unless* that private right is explicitly established in the statute itself.<sup>47</sup> (Most recently, the Supreme Court ruled in *Alexander v. Sandoval*, a civil rights case, that private rights of action to enforce federal laws must be created by Congress and cannot be created by the courts, “no matter how desirable that might be as a policy matter, or how compatible with the statute.”<sup>48</sup>) At the same time, it is important to note that many of the child welfare lawsuits of the past 20 years have alleged violations of the Constitution and other statutes, in addition to Title IV-B and IV-E of the Social Security Act, and these cases have moved forward on those grounds.

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<sup>43</sup> For example, the court found that the Multiethnic Placement Act (MEPA), as amended, did confer enforceable rights, which were explicitly provided in the statute (Section 475(d)(3) of the Social Security Act), and allowed the claim that MEPA had been violated to proceed.

<sup>44</sup> 2000 U.S. Dist. Lexis 18771.

<sup>45</sup> Press release, Children’s Rights Inc., New York, April 23, 2001.

<sup>46</sup> *Ibid.* June 25, 2001.

<sup>47</sup> Speaking before the American Bar Association in 1999, Marcia Lowry said: “... there has been a narrowing of the law in some areas, particularly concerning the enforceability of the federal statutes under which all child welfare systems operate, and how much of these statutes can be enforced on behalf of the children for whose benefit, presumably, the statutes were passed.” Likewise, a summary of the national Child Welfare Advocates’ Conference in 1999, published in *Youth Law News*, states: “There are also new barriers to litigation, such as limitations on private rights of action under federal statutes ... .” However, Lowry hailed the April 2001 ruling in *Bonnie L. v. Jeb Bush* as providing “greater clarity to unsettled federal law” and creating “a much stronger basis for enforcing children’s rights in other failing child welfare systems.”

<sup>48</sup> 121 S.Ct. 1511 (2001).

The issue of the financing structure of federal child welfare programs – and its relationship to judicial enforcement – has generally not been explored. In determining whether these programs create federally enforceable rights under 42 USC 1983,<sup>49</sup> the courts have traditionally looked at several factors. First, the plaintiffs must demonstrate that they are the intended beneficiaries of the federal statute. Second, the presumed “right” created by the statute must not be so “vague and amorphous” that its enforcement would “strain judicial competence.” Third, the statute must unambiguously impose a binding, or mandatory, obligation on the state. Finally, Congress must not have precluded enforcement of the statute in court, either by explicitly denying a private right of action or by establishing another enforcement mechanism, such as an administrative review system.

In *Suter*, the Supreme Court found that Congress had provided another enforcement mechanism (i.e., HHS was authorized to withhold funds if states failed to comply with their federally approved state plans), and therefore, a private right of action did not exist. In the *Suter*-fix law, Congress said this state plan structure did not *necessarily* – on its own – preclude a private right of action to enforce the federal law in court. Recent decisions have generally rested on the other factors identified above and, as already discussed, the courts have issued conflicting decisions on whether certain of the state plan requirements under Titles IV-B and IV-E are sufficiently clear and unambiguous to create an enforceable right. Unless Congress were to explicitly provide – in the federal statute itself – that the beneficiaries of these laws may enforce them in federal court, this issue will likely remain unresolved.

## Policy Options and Proposals

For at least the last decade, proposals to change the way federal funds are provided to states for child welfare activities have surfaced in Congress, in response to the perceived weaknesses described earlier. Ideas have ranged from expansions of the existing foster care and adoption assistance entitlements to complete consolidation of all federal child welfare funding streams, with many variations in between. Thus far, none has been enacted for various reasons, including a lack of comprehensive information for use in analyzing proposals, concerns about additional federal costs, and a fear of sacrificing some of the system’s perceived strengths. Nonetheless, the discussion has gained momentum in recent years and is continuing. The following reviews some of the options that have been considered and discusses policy issues that are raised by these proposals.

### Severing the AFDC Connection (“De-Linking”)

Even before AFDC was repealed and replaced with the TANF block grant in 1996, there was concern about the use of AFDC as an eligibility criterion for federal foster care or adoption assistance, for many of the reasons discussed earlier. In 1991, Representative Downey introduced legislation (H.R. 2571, 102<sup>nd</sup> Congress) that would have eliminated the requirement that limits federal reimbursement to states only

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<sup>49</sup> 42 USC 1983 establishes the right of an individual to bring action in court in cases when that individual is deprived of a federal right, privilege, or immunity.

to AFDC-eligible children, or SSI-eligible children in the case of adoption assistance. The legislation would have allowed states to claim federal reimbursement for eligible foster care or adoption assistance expenditures on behalf of children without regard to their family income.

Because of the potential expense of expanding federal foster care and adoption assistance to a greater number of children, the 1991 proposal also would have reduced federal matching rates to states. Foster care maintenance and adoption assistance payments to parents would have been matched at a 40% federal rate, rather than the current Medicaid rate, which varies by state but never goes below 50%. Administrative and child placement costs, currently matched at 50%, would have received a 25% federal match, and the federal match for training expenses would have been lowered from 75% to 50%.

The impact of this provision, which ultimately was deleted during a House Ways and Means Subcommittee markup, would have varied significantly by state because of two key factors. State matching rates for foster care maintenance and adoption assistance payments vary because of the use of the Medicaid matching rate; therefore, the effect of a flat federal matching rate of 40% would be different in each state. Further, the proportion of each state's foster care and adoption assistance caseload that meets the AFDC eligibility criterion varies by state; therefore, the effect of eliminating this requirement also would be different in each state.

At the time H.R. 2571 was debated, little reliable information was available on the overall size of each state's foster care population and the percentage of that population that was claimed as Title IV-E-eligible. Thus, it was difficult to gauge the proposal's impact on each state. Nonetheless, it was clear that some states would be "winners" and others would be "losers." For example, it was known that New York claimed a very high proportion of its foster care caseload as Title IV-E-eligible, so that elimination of the AFDC requirement would have expanded the eligible population in that state only slightly, while, at the same time, lowering the state's federal matching rates. For some other states, the effect of decreased federal matching rates would have been outweighed by substantial increases in the population for whom federal payments could be claimed.

Because of the limited information available, and concerns about state "losers," this proposal was dropped and replaced with a provision that would have authorized HHS to conduct demonstrations in up to five states to test the feasibility of eliminating income eligibility criteria from foster care and adoption assistance. This provision was included among others in an omnibus urban aid and tax package (H.R. 11, 102<sup>nd</sup> Congress) that was pocket-vetoed by then-President Bush in 1992, for reasons unrelated to child welfare.

During the welfare reform debate, the 104<sup>th</sup> Congress considered – but did not enact – proposals to consolidate all federal child welfare funding streams into a block grant, which would have left decisions about income eligibility requirements to state discretion. When Congress repealed AFDC and established TANF, the structure of Title IV-E was maintained but the law was amended to "grandfather" in the eligibility requirements of AFDC, as they existed prior to the new law's enactment, for purposes of foster care, adoption assistance, and Medicaid. Lawmakers decided not to connect

foster care or adoption assistance eligibility to TANF because states have broad discretion under TANF to define their eligible populations; thus, states could potentially have defined a greater number of foster children as eligible for TANF and thereby increased federal spending under Title IV-E.

Proposals to “de-link” AFDC from child welfare surfaced again in 1997, during the debate that resulted in passage of the Adoption and Safe Families Act (ASFA). The late Senator John Chafee and others introduced legislation to eliminate the AFDC and SSI requirement from adoption assistance under Title IV-E (S. 511 and S. 1195, 105<sup>th</sup> Congress). Unlike the Downey proposal of 1991, these bills would not have touched the AFDC requirement in foster care, nor would they have changed federal matching rates. Although the Congressional Budget Office (CBO) never released a formal estimate, concerns were raised about the proposal’s potential cost. As discussed earlier, elimination of the AFDC or SSI requirement would expand the population eligible for federal adoption subsidies, and without any change in the matching rates, would result in additional federal costs. In response to this concern, the proposal was changed to become prospective only; in other words, income eligibility requirements would have continued to apply to children already receiving adoption assistance, but would have been eliminated for children *newly* adopted after the provision’s enactment. While the provision would still have resulted in increased federal costs, the amount of additional spending would have been less.

The 1997 proposals to de-link adoption assistance grew from two concerns. As stated earlier, many believe that the income and welfare eligibility status of biological parents who have lost rights to their child should not be used to determine whether the federal government will help subsidize adoption assistance for that child. In addition, there was concern that children who are ineligible for federal adoption subsidies may not have access to the same assistance and services from their state, thereby creating a barrier to their adoption. According to the North American Council on Adoptable Children (NACAC), almost all states have adoption assistance programs for special needs children who do not meet the income eligibility criteria of Title IV-E. These programs are primarily paid for by the states themselves, and provide benefits that are usually – but not always – the same as those subsidized with federal funds. Prior to the Adoption and Safe Families Act, one of the key differences was access to Medicaid or other health insurance coverage; however, ASFA contains provisions to address this issue.<sup>50</sup>

During the 1997 debate, it was unclear whether the de-linking proposal would have helped to increase the actual number of special needs adoptions that occurred, since children who are not eligible for Title IV-E adoption assistance may nonetheless receive subsidies under a state-funded program. However, the proposal clearly had fiscal implications for the federal and state governments. The American Public Human Services Association (APHSA) estimated that one-third of children receiving adoption assistance were not eligible for Title IV-E subsidies and were supported entirely with state funds; these children would have become eligible under the original

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<sup>50</sup> ASFA *requires* states to provide health coverage to children for whom they have adoption assistance agreements, and *encourages* states through incentives to provide coverage to children living in their borders who have adoption assistance agreements with other states.

proposal. Thus, federal spending would have increased, and states likely would have saved money. To ensure that these state savings were used to benefit children, S. 1195 would have required that states use these funds for child welfare services allowable under Title IV-B or Title IV-E.

Although the Adoption Equality Act was introduced in the 106<sup>th</sup> Congress (S. 1067, Rockefeller), with similar provisions to the 1997 proposals, the de-linking issue recently has been subsumed in larger discussions of child welfare financing reform, including proposals to promote flexible funding. The central issue in the de-linking debate remains its cost to the federal government. The APHSA has recommended that income eligibility criteria be eliminated from foster care and adoption assistance, but that a customized matching rate be developed for each state, taking into account the federal government's actual share of each state's spending under current law. This proposal would avoid additional federal costs and would not result in state windfalls. At the same time, this approach would produce different matching rates for each state, which then would be locked in permanently, regardless of any changes in the state's circumstances. Under current law, the Medicaid matching rate varies by state per capita income and is re-calculated each year.

Legislation has been introduced in the 107<sup>th</sup> Congress (H.R. 1990/S. 940) that would eliminate income eligibility criteria from both foster care and adoption assistance, and also would establish the Medicaid matching rate as the federal matching rate for all services under Title IV-E (i.e., foster care, adoption assistance, training, data collection, administration). This proposal also would significantly expand the range of services that could be reimbursed under Title IV-E (discussed below).

## **Expanding the Entitlement<sup>51</sup>**

Current law specifically defines state expenditures that may be reimbursed by the federal government under Title IV-E, which are limited to the costs of activities related to certain foster or adopted children. As described earlier, reimbursable activities are currently limited to foster care maintenance payments, adoption assistance payments, administration, child placement services, training (for state agency personnel, foster and adoptive parents, and staff of residential foster care providers), and data collection. Critics have objected that these allowable uses are too rigid and limited to activities that are conducted after children have been removed

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<sup>51</sup> In addition to proposals discussed in this section, legislation is pending in the 107<sup>th</sup> Congress (S. 550/H.R. 2335), and similar bills have been proposed in earlier Congresses, to enable Indian tribes to receive federal reimbursement directly under Title IV-E for expenses associated with eligible children in their custody, rather than through the states, as under current law. Moreover, legislation is pending in the 107<sup>th</sup> Congress to create additional grant programs under Title IV-B for specific purposes (e.g., substance abuse treatment for child welfare clients – S. 484/H.R. 1909; improved quality standards and training for child welfare workers – H.R. 1371). The Administration also has proposed a new independent living voucher program to help former foster youth with higher education expenses (versions have been included in S. 685 and H.R. 1990/S. 940).

from home, and provide no resources for states to improve the quality of child welfare services and potentially reduce the need for foster care.

The previous section discussed the issue of expanding the *population* of eligible children on whose behalf federal payments could be made to states under Title IV-E (i.e., eliminating the AFDC requirement for foster care or adoption assistance). Some recent proposals would expand the entitlement to allow federal reimbursement for additional *categories* of expenditures. For example, S. 511 in the 106<sup>th</sup> Congress would have allowed federal reimbursement to states for the costs of training additional categories of individuals, including court and law enforcement personnel, and personnel employed by substance abuse prevention and treatment agencies, mental health providers, domestic violence prevention and treatment agencies, health agencies, child care agencies, schools, and other child welfare, family service, and community service agencies. Legislation introduced in the 106<sup>th</sup> Congress (S. 708, S. 2271, H.R. 5369) would have expanded the training reimbursement to include judges, judicial personnel, law enforcement personnel, attorneys, guardians *ad litem*, and court-appointed special advocates. A version of this proposal was passed by the House as part of another bill (H.R. 3073), but no action occurred in the Senate.

S. 511 in the 106<sup>th</sup> Congress also would have expanded reimbursement to states under Title IV-E to include two new types of services; i.e., expenditures for children who are placed with their parent in a residential treatment program (for substance abuse, domestic violence, homelessness); and expenditures for reunification services for children and their parents, for up to 1 year after the child's removal from home. Reunification services would have been defined to include counseling, substance abuse treatment, mental health services, services to address domestic violence, and transportation to and from such services.

In the 107<sup>th</sup> Congress, H.R. 1990/S. 940 would significantly expand the categories of services that are reimbursable by the federal government under Title IV-E. Specifically, this proposal would allow open-ended federal funding for: preventive, protective and crisis services; permanency services; independent living services; ongoing payments to relative guardians of former foster children; living expenses of former foster youths under the age of 22, if they are in school or working and participating in an independent living program; and training costs for a wide array of professionals related to the child welfare system, including judicial personnel, and staff of substance abuse treatment and mental health providers. The federal matching rate for all services (including training, data collection and administration) would be the Medicaid matching rate.<sup>52</sup>

Proposals to expand the entitlement to additional categories of spending raise obvious budgetary concerns. Congress cannot control spending under Title IV-E – as an uncapped entitlement – except by tightly defining eligible expenditures. Any

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<sup>52</sup> Both the Child Welfare League of America and the American Public Human Services Association have posted their legislative proposals for the 107<sup>th</sup> Congress, which include expansions of the Title IV-E entitlement, on their web sites:

[<http://www.cwla.org/advocacy/2001legagenda.htm>] and [<http://www.aphsa.org/reauthor/cw.asp>]

expansion of those eligible expenditures results in increased federal spending. Moreover, states must document and HHS must determine the eligibility of these expenditures before reimbursement can be made; thus, the administrative burden associated with this financing structure could be exacerbated if additional categories of expenditures were made eligible for reimbursement. Expanding the entitlement to include additional services also raises “supplantation” questions. Specifically, how does the federal government ensure that states don’t use these new federal resources to pay for services that they previously were providing with their own funds? In other words, would expansion of the federal entitlement necessarily result in increased *services*, or could it merely result in fiscal relief for the states?

On the other hand, advocates argue that open-ended matching funds for foster care – in the absence of a comparable source of funds for prevention and treatment – creates financial incentives to remove children from home, rather than provide potentially expensive services that might enable the child to remain safely at home. They maintain that the “safety net” should be expanded to include training and other supportive services that might reduce the need – and therefore, the spending – for foster care. While such proposals might result in additional federal spending for child welfare and related services, they might also be justified by improved outcomes for children and associated long-term savings to society. Supplantation concerns could potentially be addressed through maintenance-of-effort provisions, which would require states to maintain their current level of spending for child welfare services and use new federal funds to increase the level of services provided. For example, H.R. 1990/S. 940 would require states to maintain spending of their own funds, for the newly reimbursable categories of services, at the FY2001 level.

## **Transfers between Titles IV-B and IV-E**

When Title IV-E was created in 1980 (P.L. 96-272), establishing permanency planning and other federal requirements aimed at reducing foster care caseloads, a complicated feature was included in the law that was intended to produce additional resources for preventive child welfare services. Incentives were designed to encourage states to reduce spending on foster care maintenance; if they succeeded, they could transfer their “unused” foster care funds from Title IV-E into their child welfare services programs under Title IV-B. Specifically, the 1980 law provided that if appropriations for Title IV-B increased to certain specified levels, a “ceiling” would be placed on each state’s foster care spending. Any amounts below that ceiling that the state did not actually use for foster care could be transferred into its child welfare services program. It was assumed that resources available to states for preventive and supportive services would expand as spending for foster care declined, thereby helping to reduce foster care caseloads even further.

In practice, the Title IV-B appropriation only reached the necessary level in 1 year (FY1981). States could voluntarily choose to operate under a ceiling, but few did.<sup>53</sup> Thus, the potential of this transfer provision was never realized because appropriations for the child welfare services program never increased as Congress had

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<sup>53</sup> The maximum ever transferred was \$74 million in FY1981. This amount dropped sharply the following year, and was less than \$1 million by FY1991.

envisioned. Moreover, by the middle 1980s, foster care caseloads – and therefore state foster care expenditures – began to rise. The provision became obsolete and was eventually repealed.

Legislation introduced in the 106<sup>th</sup> Congress (H.R. 5292) would have established a “transfer of funds” demonstration in up to five states for 3 years. States would have been allowed to transfer “unused” foster care funds, within a baseline amount, from Title IV-E and use them flexibly for other child welfare services (subject to agreement on the use of funds with HHS). The House Ways and Means Subcommittee on Human Resources held hearings, but took no further action on the bill. A major challenge presented by the proposal was the methodology to be used for determining each participating state’s “baseline” amount. The legislation provided that HHS and the individual state would negotiate and agree upon the baseline, which was intended to be the amount of federal funds, under Title IV-E, the state would have been eligible to receive during the 3 years of the demonstration, if the state were not participating in the demonstration. The drafters intended the legislation to be cost-neutral. However, because the baseline had to be determined by projecting future expenditures, cost-neutrality could not be assured.

The scope of the bill’s maintenance-of-effort provision also was raised as an issue during hearings. Specifically, child advocates and state representatives disagreed about whether states should be required to maintain current levels of child welfare spending from *all* sources (including other federal programs such as TANF and SSBG) or only from targeted child welfare programs, specifically Title IV-B and Title IV-E of the Social Security Act.

Despite the complex technical and policy challenges raised by this proposal, a version of it will likely be considered again. A key advocate is the American Public Human Services Association (APHSA), which includes a “transferability” proposal among its child welfare recommendations for the 107<sup>th</sup> Congress.<sup>54</sup> Particularly from a state perspective, the authority to transfer funds from one title to another is attractive because it potentially provides the state with a flexible source of child welfare funds (if the state can reduce its actual foster care spending below otherwise projected levels), but it maintains the open-ended entitlement nature of Title IV-E and therefore, continues to provide a safety net in case of unexpected increases in the foster care caseload.

## **Consolidation (Block Grants)**

Many proposals have been made in recent years to consolidate government programs, and some have been enacted.<sup>55</sup> During the 104<sup>th</sup> Congress, landmark welfare reform legislation replaced the 61-year-old program of Aid to Families with Dependent Children with the TANF block grant to states (P.L. 104-193). Early versions of that legislation also would have consolidated child protection and child welfare programs into block grants. Although highly controversial in the mid-1990s,

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<sup>54</sup> See *Crossroads: Child Welfare*, at: [<http://www.aphsa.org/reauthor/cw.asp>].

<sup>55</sup> See CRS Report RL30818, *Block Grants: An Overview*, by Eugene P. Boyd and Ben Canada.

proposals to consolidate certain child welfare programs may resurface in the 107<sup>th</sup> Congress.

As originally passed by the House in 1995, H.R. 4 (104<sup>th</sup> Congress) would have consolidated 22 funding streams into a single child protection block grant.<sup>56</sup> States would have been allowed to use these funds flexibly, in accordance with several child welfare “standards,” of which the primary standard was the protection of children. Other standards were prompt investigation of child maltreatment reports, a permanency plan and dispositional hearing for all foster children within 3 months of a fact-finding hearing, and reviews every 6 months for children in temporary foster care. State programs would have been audited, states would have been required to submit detailed statistical reports to HHS, and each state would have been required to establish citizen review panels to oversee their programs.<sup>57</sup> States would have received a single allotment of funds, with their share based on the proportion of funds they had received under several of the previous programs, including foster care.

As welfare reform evolved in the 104<sup>th</sup> Congress, the child welfare provisions became less sweeping. For example, the House-Senate conference version of H.R. 4, which was vetoed by President Clinton, would have created two child welfare-related block grants, instead of one: a Child Protection Block Grant to replace some of the Social Security Act programs; and a Child and Family Services Block Grant to replace CAPTA and related activities. Maintenance payments for foster children and adoption assistance subsidies were not included in either block grant, and would have remained open-ended entitlements to states. Under the next House version of welfare reform (H.R. 3734, 104<sup>th</sup> Congress), administrative and training costs related to foster care and adoption assistance also were removed from the block grant, as were independent living services for older foster children. Ultimately, all child welfare block grant provisions were dropped from the final welfare reform bill that was signed into law.

Proponents of child welfare block grants argued that consolidation of categorical programs and elimination of federal mandates could allow states to design more comprehensive service systems for children and families, without the constraints of funding sources tied to specific services. As considered in the 104<sup>th</sup> Congress, block grant proposals would have required states to maintain the key features of a child protection system – such as mandatory abuse and neglect reporting and investigation, foster care, and permanency planning for foster children – but without the existing funding structure and mandates, which were characterized as cumbersome.

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<sup>56</sup> Programs that would have been replaced included everything then authorized under Titles IV-B and IV-E of the Social Security Act, CAPTA, and a number of related programs, such as adoption opportunities, abandoned infants assistance, missing children’s assistance grants, the Victims of Child Abuse Act, and the family unification program under Section 8 of the Housing Act. Some programs that would have been replaced by the block grant no longer exist in the same form, such as family support centers under the McKinney Homeless Assistance Act and crisis nurseries under the Temporary Child Care and Crisis Nurseries Act.

<sup>57</sup> Although none of the block grant proposal was enacted, Congress did mandate citizen review panels as a condition of state funding in the 1996 reauthorization of CAPTA (P.L. 104-395).

Accountability would have been assured through audits and penalties, data collection and reporting, and citizen review panels that would have allowed the public to assess the adequacy of child protection systems.

Opponents argued that by enacting block grants, the federal government would be abdicating its leadership role in the area of child protection, which is an issue of national concern. While the legislation would have required states to certify that their programs contained certain features, it was feared that the federal government would have had limited enforcement authority. With no designated funds for preventive and supportive services for families, some child advocates were concerned that the ongoing demand to investigate abuse and neglect reports and remove children from unsafe homes would have left few resources available for less crisis-driven activities. Advocates also were concerned that the proposal might have limited the ability of abused and neglected children to seek protection in the federal courts. Moreover, block grants were seen as a first step toward reductions in federal spending for child welfare activities.

After zero growth in the total number of children in foster care in 1985 and a 1.4% increase in 1986, the foster care population rose by 7.1% in 1987 and jumped up sharply during the next 2 years – by 13.3% in 1988 and 13.8% in 1989. This sudden and dramatic increase was a recent memory in the mid-1990s when welfare reform and associated child welfare block grant proposals were being debated, contributing at least in part to the unease about a potential cap on federal spending. However, between 1990 and 1998, growth in foster care averaged 4.2% per year and, in 1999, slowed to the 1986 level of 1.4%. Growth increased somewhat between 1999 and 2000, but was still relatively low at 2.3%. Some child advocates and state officials maintain that open-ended funding remains essential in case of another unexpected caseload rise; however, others argue that flexibility in the use of funds is a more important goal, especially since caseload growth has significantly slowed down.<sup>58</sup>

Legislation introduced in the 106<sup>th</sup> Congress (H.R. 5292, cited above) would have allowed up to five states to conduct consolidation demonstrations for 3 years, in which they would have been able to receive a fixed payment that could be used flexibly for child welfare activities (in essence, a block grant) instead of submitting claims for reimbursement for eligible expenditures under Title IV-E. The amount of the fixed payment provided to each state would have been determined through a negotiation between HHS and the state, and was intended to equal the amount of Title IV-E funds the state would have been eligible to receive over the 3 years, in the absence of the demonstration (the same procedure that would have been used for transferability demonstrations under H.R. 5292, described earlier).

## Performance-Based Funding

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<sup>58</sup> However, as shown earlier in this report, adoption caseloads (in contrast to foster care) have not slowed their growth, and in fact, have climbed sharply in recent years, a pattern that is projected to continue.

Discontent with the performance of the nation's child welfare system, and concerns about the extent to which states are held accountable for their performance, have prompted policymakers to consider alternative financing systems that would more directly reward (or penalize) states for achieving positive (or negative) outcomes for children. For example, Senator Grassley, along with Senators DeWine and Landrieu, expressed support in 2000 for legislation (never formally introduced) that would have established financial incentives for states to return children home or place them for adoption quickly.<sup>59</sup>

Specifically, the Grassley proposal would have increased the federal matching rate for states during a child's first 18 months in care, and expanded the range of services eligible for reimbursement (to include respite care, for example). Federal matching would have dropped after 18 months; however, states would have been eligible for a bonus for children placed for adoption within 3 years (unless the adoption disrupted within 2 years, in which case the bonus would have been recaptured).

In the Adoption and Safe Families Act of 1997, Congress took a small step toward performance-based funding by establishing adoption incentive payments, which provide a bonus payment to states for each adoption of a foster child or child with special needs above a baseline level. Adoptions have increased in the last several years, and states collectively "earned" more in 1998 and 1999 than Congress initially appropriated for these payments; however, the extent to which the incentive payments directly contributed to these additional adoptions is not known.

ASFA made no changes in the basic child welfare financing structure, but two additional provisions reflect congressional interest in the use of outcome measures as a way of holding states accountable for their performance. First, the 1997 law required HHS to develop a set of outcome measures that could be used to assess state performance and to publish an annual report on each state's performance with respect to these measures. As published in the August 20, 1999, *Federal Register*, the outcome measures relate to the goals of: (1) reducing the recurrence of abuse or neglect; (2) reducing the occurrence of abuse or neglect while a child is in foster care; (3) increasing permanency for children in foster care; (4) reducing time in foster care prior to reunification, without increasing re-entry into care; (5) reducing time in foster care prior to adoption; (6) increasing placement stability; and (7) reducing placements of young children in group homes or institutions.

HHS published the first annual report on state performance (based on data submitted by states for 1998) in October 2000.<sup>60</sup> In addition, some of these outcome measures are being used as a component of the new HHS review system for monitoring state compliance with federal law.

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<sup>59</sup> Press release, Office of Senator Grassley, Washington, D.C., June 7, 2000.

<sup>60</sup> *Child Welfare Outcomes 1998, Annual Report*, U.S. Department of Health and Human Services, Children's Bureau, October 2000, [<http://www.acf.dhhs.gov/programs/cb/publications/cwo98/index.html>].

The second ASFA provision required HHS to develop and recommend to Congress a performance-based financing system for programs authorized by Titles IV-B and IV-E of the Social Security Act. This system was to be developed in consultation with state and local public child welfare officials and child welfare advocates, and be based on state performance with respect to the outcome measures developed by HHS in response to the mandate described above. The law required HHS to submit a progress report by May 1998, and a final report by February 1999.

HHS submitted a progress report (but no final report) on this performance-based incentive financing system, and identified several key issues, including the need for a carefully designed set of outcome measures that would not result in unintended consequences, and data collection systems that could provide the information needed to evaluate state performance against these outcome measures. In its first annual report on state performance mentioned above, HHS noted that the outcome measures developed so far do not reflect the full range of a state's child welfare system, because all of the necessary data are not collected. Likewise, even for those outcome measures that have been developed, not all states are yet able to submit the relevant data. Nonetheless, HHS and the states have made dramatic progress in the last several years with regard to data collection in the areas of child abuse, foster care, and adoption assistance, and the quality and comprehensiveness of the data that are collected is continually improving.

In its progress report, HHS noted that several states are experimenting with various forms of performance-based funding, either on their own or through federally approved waivers, which will eventually produce evaluation results. In addition, there is a growing body of literature on this subject with regard to various forms of human and social services, in addition to child welfare. Nonetheless, HHS noted that a number of experts "suggest caution" in the use of performance-based financial incentives, and stated that additional research and analysis is needed.

## **Final Notes**

As discussed in this report, federal financing for child welfare activities is complex and considered problematic for various reasons. Some provisions are seen as outmoded, inefficient, burdensome and bureaucratic, and reportedly inhibit innovation and creative responses to the changing needs of a vulnerable population. In fact, the federal financing system isn't a comprehensive system at all, but rather an assortment of laws, requirements, and funding streams that evolved over decades, as Congress attempted to respond to current challenges.

At the same time, as also discussed in this report, federal funds have provided a safety net to states, as they have struggled to protect and serve children who enter and remain in the child welfare system for reasons beyond the control of the children or of the states. And, federal requirements have ensured a minimum level of protection for these children, by establishing mandates that child welfare agencies must meet in order to receive federal funds. While no one defends the current system as perfect, many would argue that federal law has resulted in important procedural

reforms, and in less foster care, shorter stays in foster care, and more adoptions than would have occurred otherwise.

Nonetheless, frustration with the current system is widespread, and attempts at reform – incremental or comprehensive – will continue to be debated, raising many of the issues already addressed in this report. In addition, the following final notes may be useful in analyzing further attempts at financing reform:

- While reform proposals have not generally been driven by a motivation to reduce federal spending, budget issues are central to the debate nonetheless. Most of the funding streams are entitlements and the largest are open-ended entitlements. Any changes in policy would likely create additional federal spending that must be paid for (or, less likely, savings that lawmakers might want to use to finance other initiatives). Proposals that are intended to be cost-neutral (in other words, to change policy while maintaining the same level of federal spending that would have occurred otherwise) face design challenges. Such proposals would either create winners and losers among states, or would likely further complicate the system in an effort to hold each state harmless.
- Recent and projected future trends in child welfare spending and in the eligible population have important implications for financing reform proposals. In particular, these trends highlight the fundamental difference in purpose between foster care (intended as short-term and temporary protection for children who cannot live at home) and adoption assistance (which attempts to promote permanent adoptions for special needs children by providing ongoing assistance to adoptive parents). States are responding to federal directives and incentives intended to increase adoptions from foster care, and the adoption assistance population is projected to grow significantly in future years. Therefore, proposals to change the way states receive federal foster care funds may have different goals – and raise different issues – than proposals to change the financing structure of adoption assistance.
- Because they are large and open-ended funding streams, foster care and adoption assistance are typically the focus of financing reform discussions. However, states receive other child welfare funds from Titles IV-B and IV-E of the Social Security Act and CAPTA, which impose additional requirements and have an impact on shaping policy at the state level. Moreover, federal funds not specifically targeted toward child welfare also are used to serve child welfare clients (for example, TANF, Medicaid, SSBG). Thus, an awareness of *all* federal dollars that influence state behavior is important in understanding the implications of proposals that change the way *some* of these dollars are provided.
- Regardless of financing structure, monitoring and enforcement of federal child welfare requirements will remain of concern. Under the

current system, states must submit plans indicating compliance with these requirements, in order to participate in federal programs, and some of these requirements are then reinforced through the expenditure reimbursement process. Even under a block grant approach, states still could be required to submit similar – or even more stringent – state plans. However, if Congress chooses to continue playing a major role in shaping (as well as funding) child welfare policy at the state level, then federal administrative oversight will be necessary under any system to ensure actual compliance with paper requirements. The effectiveness of HHS' new monitoring system will be of great interest, as will future court rulings on the ability of children and families to seek judicial enforcement of federal requirements.

- Finally, financing reform proposals are inextricably linked with nonfinancial issues. Proposals to change the federal financing structure will inevitably raise intergovernmental issues (e.g., federal-state relations, the role of the private sector), as well as the traditional child welfare tension between child protection and family preservation. Thus, policymakers are likely to bring their philosophical and ideological views about the overall goals and mission of the child welfare system to the debate over financing reform.

## Appendix A: Summary of Funding Streams

**Table A-1. Current Federal Child Welfare Funding Streams to States**

Program	Use of funds	State allocation formula	Nonfederal match	Discretionary or entitlement	FY2001 appropriation
<b>Title IV-B of the Social Security Act</b>					
Child Welfare Services – Subpart 1	Eligible services are broadly defined in law.	Formula grants based on state population under age 21 and state per capita income.	25% nonfederal match (i.e., 75% federal share).	Discretionary.	\$292 million.
Promoting Safe and Stable Families – Subpart 2	Four types of child welfare services are authorized: (1) intensive family preservation; (2) community-based family support; (3) time-limited family reunification; and (4) adoption promotion and support.	Formula grants based on number of children in each state receiving food stamps.	25% nonfederal match (i.e., 75% federal share).	Capped entitlement.	\$305 million (of which \$10 million is reserved for Court Improvement Grants, below).
Court Improvement Grants (Section 13712 of the Omnibus Budget Reconciliation Act of 1993)	Funds may be used to conduct assessments of state court proceedings related to child welfare and to implement recommended changes.	Formula grants based on state population under age 21.	25% nonfederal match (i.e., 75% federal share).	Set-aside of capped entitlement	\$10 million (set-aside of appropriations for Promoting Safe and Stable Families, above).
<b>Title IV-E of the Social Security Act</b>					
Foster Care	Eligible expenditures include maintenance payments (for costs of food, clothing, shelter, supervision, school supplies, incidentals, liability insurance, and travel to the child's home),	Reimbursement for a portion of eligible expenditures.	Medicaid matching rate used for maintenance costs (payments to foster care providers); 75% federal matching rate for training costs;	Open-ended entitlement.	\$5,013 million (estimated expenditures).

Program	Use of funds	State allocation formula	Nonfederal match	Discretionary or entitlement	FY2001 appropriation
	and costs related to administration, child placement services, data collection, and training, on behalf of eligible children.		50% federal matching rate for all other administrative and child placement costs.		
Adoption Assistance	Eligible expenditures include adoption assistance payments to adoptive parents, non-recurring adoption expenses (adoption fees, court costs, attorney fees), and costs related to administration, child placement, data collection, and training, on behalf of eligible children.	Reimbursement for a portion of eligible expenditures.	Medicaid matching rate used for maintenance costs (assistance payments to parents); 75% federal matching rate for training costs; 50% federal matching rate for all other administrative and child placement costs.	Open-ended entitlement.	\$1,160 million (estimated expenditures).
Adoption Incentive Payments	Funds may be used for any allowable activity (specifically including post-adoption services) under Title IV-B or IV-E.	Grant amounts based on number of foster child and special needs child adoptions in a given year, as compared with a baseline year.	None.	Discretionary. Statute provides that up to \$20 million in annual appropriations are not counted against discretionary budget caps. (\$43 million in FY2000).	\$43 million.
Foster Care Independence Program	Funds may be used for services to improve the transition to independent living of foster youth likely to remain in care until age 18, and those who have left at 18 (up to age 21).	Formula grants based on state foster care population.	20% nonfederal match (i.e., 80% federal share).	Capped entitlement.	\$140 million.

Program	Use of funds	State allocation formula	Nonfederal match	Discretionary or entitlement	FY2001 appropriation
<b>Child Abuse Prevention and Treatment Act</b>					
State Grants – Title I	Funds may be used for various activities to improve state child protective service systems.	Formula grants based on state population under age 18.	None.	Discretionary.	\$21 million..
Community-Based Family Resource and Support Grants – Title II	Funds may be used for community-based, prevention-focused family resource and support services, including certain mandatory “core” services and optional services.	Formula grants, based on state population under age 18 and the amount of nonfederal funds that states have leveraged for this program.	In their application, states must assure they will spend an amount equal to 20% of their federal allotment from on-federal resources, in cash or in-kind.	Discretionary.	\$33 million.

**Source:** Table prepared by the Congressional Research Service (CRS).

## Appendix B: A Note on Data Limitations

For foster care and adoption assistance under Title IV-E of the Social Security Act, states are eligible for federal reimbursement for eligible expenditures associated with providing services for eligible children. States are required to submit claims for expenditures under Title IV-E on a quarterly basis, and then receive reimbursement from the federal government, based on the appropriate matching rate. The analysis presented in this report is based on the claims data submitted by the states to the U.S. Department of Health and Human Services (HHS). There are limitations to using these data as provided.

First, states can claim federal reimbursement for Title IV-E expenditures for 2 years.<sup>61</sup> Therefore, as states submit the quarterly data, they are required to submit any prior quarter adjustments to claims they have previously made. The data presented in this report represent the total expenditures claimed by a state for a fiscal year, which includes all prior quarter adjustments claimed within that fiscal year. These numbers may reflect current fiscal year quarter adjustments, but they may also reflect prior fiscal year quarter adjustments. While these adjustments are submitted to HHS, it is not possible to identify the *amounts* or the *directions* of these adjustments using the data as provided by HHS.

Second, in addition to the prior quarter adjustments, HHS “disallows” some of the expenditures claimed (that is, they determine that the expenditures are not eligible for federal reimbursement). These disallowances affect the total state expenditures in a given year, as HHS may defer reimbursing the states for these expenditures pending a decision about whether they are eligible for federal reimbursement under the law. The data in this report for both foster care and adoption assistance under Title IV-E reflect disallowances reported by HHS for FY1987-FY1998. However, the data for FY1999 and FY2000 do not include any disallowances. It is possible that in a subsequent year, disallowances for some of the claims in FY1999 and FY2000 may occur. As disallowances occur, these claims will change.

In addition to the above limitations, the most recent claims data for Title IV-E foster care (FY2000) and Title IV-E adoption assistance (FY2000) include a separate category of expenditures made under child welfare waiver demonstrations (as discussed in the text). These demonstration projects must be cost-neutral to the federal government (in terms of expenditures under Title IV-E), and therefore this additional category does not affect the federal share of *total* state claims for expenditures under Title IV-E. However, parts of this report examine the distribution of spending by category for foster care and adoption assistance. The “demonstration” category may include maintenance payments (assistance payments for adoption assistance), administration, or training expenditures. However, it is not possible to determine the amount of expenditures under the demonstration projects devoted to *each* of these categories using the data as provided by HHS. Therefore, for purposes of examining the distribution of spending in each of these categories, the demonstration expenditures were excluded from the federal share of total state claims for foster care and adoption assistance. While this may affect the distribution of

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<sup>61</sup> 45 CFR 95.1

spending, thus far expenditures for these demonstrations have been a small component of overall foster care and adoption assistance spending. For foster care, expenditures under demonstrations were 3% (\$136 million) of the total state claims in FY2000. For adoption assistance, the federal spending under demonstration projects was 0.01% (\$89,898) of total federal spending for adoption assistance in FY2000.

Finally, because this report is based on the claims data submitted by the states, they represent expenditures claimed by the states as well as the average monthly number of children claimed as eligible for federal reimbursement for foster care and adoption assistance. States have primary responsibility for determining the amount of eligible expenditures as well as the number of children eligible for federal reimbursement to submit to HHS. These data reflect the average monthly number of children *claimed* as eligible for Title IV-E, rather than the actual number of children eligible. To the extent that states experience difficulty in determining Title IV-E eligibility for some children, these data would likely underestimate the average monthly number of children eligible, as well as the total state claims eligible for federal reimbursement.

## Appendix C: Federal Expenditures and Children by State

**Table C-1. Federal Expenditure and Average Monthly Number of Children Claimed As Eligible for Foster Care Under Title IV-E for FY1998-FY2000, by State**  
(\$ in thousands)

State	<u>Average monthly number of children claimed as eligible</u>				<u>Federal expenditures</u>			
	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000 (using 2000\$)
Alabama	1,230	1,304	1,440	17.1%	\$11,963	\$13,240	\$13,164	6.5%
Alaska	405	487	408	0.9%	10,023	9,418	11,017	6.3%
Arizona	3,078	3,634	3,098	0.6%	46,006	54,316	45,144	-5.1%
Arkansas	1,600	1,624	2,704	69.0%	29,904	32,057	37,129	20.1%
California	79,982	78,222	74,469	-6.9%	832,619	911,802	1,069,940	24.3%
Colorado	3,004	2,653	2,552	-15.0%	34,005	42,548	28,544	-18.8%
Connecticut	4,315	4,528	3,292	-23.7%	84,798	91,777	96,955	10.6%
Delaware	386	378	410	6.1%	7,632	8,306	12,145	54.0%
Dist of Columbia	1,241	1,297	1,960	57.9%	39,289	42,946	36,710	-9.6%
Florida	8,374	8,842	9,394	12.2%	113,237	120,768	146,456	25.1%
Georgia	4,291	4,208	4,190	-2.3%	35,576	42,893	49,446	34.5%
Hawaii	1,186	1,101	1,126	-5.1%	15,285	15,813	18,987	20.2%
Idaho	441	510	568	28.7%	7,780	7,922	6,592	-18.0%
Illinois	32,646	28,592	23,289	-28.7%	274,782	273,267	299,001	5.3%
Indiana	3,741	3,963	3,293	-12.0%	40,144	53,319	39,477	-4.9%
Iowa	2,107	2,810	2,796	32.7%	26,637	29,623	34,152	24.1%
Kansas	775	2,356	2,252	190.6%	12,729	30,892	40,515	208.0%
Kentucky	2,936	3,018	3,161	7.7%	43,041	46,108	52,268	17.5%
Louisiana	3,138	2,908	2,555	-18.6%	52,043	50,136	46,503	-13.5%
Maine	1,659	2,013	2,453	47.8%	28,677	32,183	34,325	15.8%

<u>Average monthly number of children claimed as eligible</u>					<u>Federal expenditures</u>			
State	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000 (using 2000\$)
Maryland	4,785	5,090	5,764	20.5%	97,641	96,728	131,375	30.2%
Massachusetts <sup>a</sup>	7,464	7,340	3,934	-47.3%	89,746	75,654	66,495	-28.3%
Michigan	8,826	9,338	9,923	12.4%	130,328	135,956	149,574	11.0%
Minnesota	3,805	4,115	4,069	6.9%	59,737	72,595	78,459	27.1%
Mississippi	1,016	1,000	1,034	1.7%	17,829	9,491	12,880	-30.1%
Missouri	5,748	5,620	5,695	-0.9%	64,419	73,619	69,230	4.0%
Montana	857	950	940	9.7%	14,665	7,794	10,623	-29.9%
Nebraska	1,569	1,477	1,643	4.7%	18,909	25,887	23,421	19.8%
Nevada	1,119	1,345	1,334	19.3%	9,785	14,756	15,442	52.7%
New Hampshire <sup>b</sup>	714	625	791	10.7%	13,449	11,847	9,534	-31.4%
New Jersey <sup>c</sup>	5,593	6,124	6,238	11.5%	41,868	45,641	60,411	39.6%
New Mexico	782	1,183	1,505	92.4%	13,138	14,367	16,762	23.4%
New York	40,762	38,049	33,529	-17.7%	340,878	482,037	432,672	22.8%
North Carolina	4,662	4,854	4,118	-11.7%	65,887	64,537	74,587	9.5%
North Dakota	493	486	492	-0.3%	10,448	11,209	11,922	10.4%
Ohio	5,456	4,936	5,074	-7.0%	184,673	207,889	200,739	5.2%
Oklahoma	3,413	4,039	5,111	49.8%	33,141	32,418	33,747	-1.5%
Oregon	3,325	3,193	3,715	11.7%	28,783	31,499	28,906	-2.8%
Pennsylvania	18,586	15,054	12,548	-32.5%	249,832	316,403	306,761	18.8%
Rhode Island	755	629	743	-1.6%	15,209	12,588	12,994	-17.3%
South Carolina	1,350	1,146	1,339	-0.9%	17,828	17,234	14,247	-22.7%
South Dakota	253	340	413	63.3%	3,428	4,598	5,603	58.2%
Tennessee	6,405	6,327	6,290	-1.8%	35,573	25,189	29,136	-20.8%
Texas	6,671	6,757	7,123	6.8%	86,864	86,964	92,501	3.0%
Utah	1,122	730	763	-32.0%	25,746	20,950	21,474	-19.3%
Vermont	1,091	1,151	1,159	6.3%	10,616	11,999	13,690	24.8%

<u>Average monthly number of children claimed as eligible</u>					<u>Federal expenditures</u>			
State	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000 (using 2000\$)
Virginia	3,297	3,260	3,327	0.9%	40,520	44,322	51,919	24.0%
Washington	2,259	2,603	2,694	19.3%	27,040	29,299	33,437	19.6%
West Virginia	792	823	855	7.9%	17,374	17,729	15,099	-15.9%
Wisconsin	5,365	4,037	4,329	-19.3%	80,942	91,654	99,732	19.2%
Wyoming	324	242	311	-4.2%	4,709	2,192	2,387	-50.9%
Puerto Rico <sup>d</sup>	0	5,110	5,613	9.8%	0	7,281	11,093	49.5%
<b>Total</b>	<b>305,194</b>	<b>302,422</b>	<b>287,824</b>	<b>-5.7%</b>	<b>\$3,597,175</b>	<b>\$4,011,661</b>	<b>\$4,255,319</b>	<b>14.5%</b>

**Source:** Table prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). For purposes of calculating the percentage change in the federal share of state claims, the 1998 dollars were adjusted for inflation (that is, the percentage change is in terms of 2000 dollars) using a Gross Domestic Product (GDP) Deflator.

<sup>a</sup> Estimate used for Third and Fourth Quarter for FY1999.

<sup>b</sup> To calculate the average monthly number of children eligible for FY2000, the 3<sup>rd</sup> quarter was computed as an average of the other 3 quarters.

<sup>c</sup> State estimates used for Fourth Quarter for FY2000.

<sup>d</sup> The percentage change for Puerto Rico is calculated from FY1999 to FY2000. For purposes of calculating the percentage change in the federal share of state claims, the 1999 dollars were adjusted for inflation (that is, the percentage change is in terms of 2000 dollars) using a Gross Domestic Product (GDP) Deflator.

**Table C-2. Federal Expenditures and Average Monthly Number of Children Claimed As Eligible for Adoption Assistance Under Title IV-E for FY1998-FY2000, by State**  
(\$ in thousands)

State	<u>Average monthly number of children claimed as eligible</u>				<u>Federal expenditures</u>			
	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000 (using 2000\$)
Alabama	367	429	522	42.2%	\$2,492	\$3,525	\$4,261	65.4%
Alaska	625	731	888	42.0%	2,232	2,840	3,807	65.0%
Arizona	1,912	2,161	2,856	49.4%	9,435	11,270	14,781	51.6%
Arkansas	681	688	1,294	89.9%	4,323	5,181	6,562	46.9%
California	21,902	24,786	29,972	36.8%	85,093	108,802	176,646	100.9%
Colorado	2,524	2,992	3,622	43.5%	7,888	10,358	13,934	70.9%
Connecticut	1,317	1,748	1,907	44.8%	12,369	10,341	11,359	-11.1%
Delaware	234	266	322	37.8%	635	862	1,114	69.6%
Dist of Columbia	444	485	536	20.6%	3,273	4,434	4,437	31.2%
Florida	7,713	8,900	9,347	21.2%	29,801	33,428	31,061	0.8%
Georgia	2,687	3,570	4,514	68.0%	11,156	15,193	21,108	83.1%
Hawaii	460	674	901	95.9%	2,026	2,802	3,727	78.0%
Idaho	320	271	418	30.7%	1,313	1,485	1,764	29.9%
Illinois	12,021	16,242	22,095	83.8%	35,494	55,526	39,081	6.5%
Indiana	3,081	3,574	4,228	37.2%	12,421	15,106	17,515	36.4%
Iowa	2,105	2,670	3,138	49.1%	12,238	15,792	18,852	49.0%
Kansas	2,343	2,974	3,392	44.8%	4,147	5,809	8,447	97.1%
Kentucky	1,062	1,148	1,403	32.1%	4,436	5,198	7,326	59.8%
Louisiana	1,640	1,874	1,948	18.8%	17,342	18,129	20,808	16.1%
Maine	693	754	889	28.2%	4,730	4,811	6,867	40.5%
Maryland	1,903	2,179	2,567	34.9%	6,271	8,197	9,358	44.4%
Massachusetts <sup>a</sup>	3,853	4,552	5,303	37.6%	12,648	17,699	20,067	53.5%

<u>Average monthly number of children claimed as eligible</u>					<u>Federal expenditures</u>			
State	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change
								FY1998-FY2000 (using 2000\$)
Michigan	12,790	14,213	15,663	22.5%	52,429	58,439	70,911	30.9%
Minnesota	1,880	2,246	3,115	65.7%	8,314	10,232	14,668	70.7%
Mississippi	369	419	579	57.0%	1,110	1,346	3,396	196.0%
Missouri	3,013	3,341	4,136	37.3%	8,775	10,998	13,460	48.4%
Montana	710	501	608	-14.4%	2,866	2,339	2,762	-6.8%
Nebraska <sup>b</sup>	683	877	952	39.3%	2,881	3,287	3,860	29.6%
Nevada	343	419	543	58.2%	1,835	1,690	2,022	6.6%
New Hampshire <sup>b</sup>	298	313	230	-22.8%	745	872	1,139	48.0%
New Jersey <sup>c</sup>	3,342	3,788	4,038	20.8%	9,807	15,614	16,394	61.8%
New Mexico	1,376	1,376	1,689	22.8%	4,413	6,180	7,210	58.1%
New York	29,562	32,759	35,295	19.4%	123,605	134,508	150,184	17.6%
North Carolina	2,917	3,506	4,214	44.5%	8,962	11,035	13,170	42.2%
North Dakota	172	202	244	42.0%	827	1,139	1,355	58.6%
Ohio	11,181	12,355	13,674	22.3%	69,112	84,502	89,545	25.4%
Oklahoma	1,453	1,671	2,068	42.3%	6,949	8,008	11,345	58.0%
Oregon	3,346	4,081	4,468	33.5%	8,668	10,776	13,700	52.9%
Pennsylvania	5,003	5,706	6,048	20.9%	22,486	30,211	37,028	59.3%
Rhode Island	965	1,053	1,168	-87.2%	3,958	4,469	5,193	26.9%
South Carolina	1,371	1,679	1,986	21.0%	6,623	9,169	11,523	68.3%
South Dakota	323	363	432	44.9%	890	1,006	1,222	32.9%
Tennessee	1,675	1,790	2,253	33.7%	4,705	6,605	6,860	41.1%
Texas	5,761	6,969	8,229	34.5%	24,454	28,003	34,057	34.8%
Utah	856	950	1,278	42.8%	3,782	3,825	5,463	39.7%
Vermont	585	667	732	25.1%	3,325	3,970	4,665	35.8%
Virginia	1,791	2,011	2,280	27.3%	5,256	7,705	9,180	69.0%
Washington	3,843	4,562	5,619	46.2%	6,812	9,227	12,699	80.4%

<u>Average monthly number of children claimed as eligible</u>					<u>Federal expenditures</u>			
State	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000	FY1998	FY1999	FY2000	Percentage change FY1998-FY2000 (using 2000\$)
West Virginia	84	386	813	867.9%	4,567	3,189	5,378	13.9%
Wisconsin	2,741	3,211	3,682	34.3%	14,503	17,382	20,251	35.1%
Wyoming	37	68	90	141.9%	123	172	321	153.1%
Puerto Rico <sup>d</sup>	0	92	124	34.2%	0	54	160	189.1%
<b>Total</b>	<b>168,357</b>	<b>195,243</b>	<b>228,307</b>	<b>35.6% \$</b>	<b>694,544 \$</b>	<b>842,737 \$</b>	<b>1,012,000</b>	<b>41.0%</b>

**Source:** Table prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). For purposes of calculating the percentage change in the federal share of state claims, the 1998 dollars were adjusted for inflation (that is, the percentage change is in terms of 2000 dollars) using a Gross Domestic Product (GDP) Deflator.

<sup>a</sup> Estimates used for Third and Fourth Quarter for FY1999.

<sup>b</sup> To calculate the average monthly number of children eligible for FY2000, 3 quarters of data were used to estimate the final quarter.

<sup>c</sup> State estimate used for Fourth Quarter for FY2000.

<sup>d</sup> The percentage change for Puerto Rico is calculated from FY1999 to FY2000. For purposes of calculating the percentage change in the federal share of state claims, the 1999 dollars were adjusted for inflation (that is, the percentage change is in terms of 2000 dollars) using a Gross Domestic Product (GDP) Deflator.

**Table C-3. Distribution of Spending by Category for Foster Care and Adoption Assistance under Title IV-E for FY2000, by State**

State	<u>Title IV-E Foster Care</u>				<u>Title IV-E Adoption Assistance</u>			
	Maintenance payments	Administration	Training	Total	Assistance payments	Administration	Training	Total
Alabama	28%	57%	14%	100%	29%	57%	14%	100%
Alaska	32%	60%	8%	100%	89%	11%	0%	100%
Arizona	42%	54%	4%	100%	82%	18%	0%	100%
Arkansas	23%	62%	15%	100%	80%	20%	0%	100%
California	38%	57%	5%	100%	58%	33%	9%	100%
Colorado	36%	56%	8%	100%	51%	47%	2%	100%
Connecticut	37%	59%	4%	100%	75%	16%	10%	100%
Delaware	19%	72%	8%	100%	72%	27%	1%	100%
Dist of Columbia	62%	38%	0%	100%	37%	63%	0%	100%
Florida	33%	57%	10%	100%	61%	33%	6%	100%
Georgia	44%	47%	9%	100%	62%	25%	12%	100%
Hawaii	26%	53%	21%	100%	86%	13%	1%	100%
Idaho	25%	73%	2%	100%	64%	36%	0%	100%
Illinois	41%	53%	6%	100%	87%	12%	1%	100%
Indiana	86%	12%	2%	100%	91%	9%	0%	100%
Iowa	63%	32%	5%	100%	86%	12%	1%	100%
Kansas	32%	66%	1%	100%	83%	17%	0%	100%
Kentucky	49%	27%	24%	100%	74%	8%	19%	100%
Louisiana	60%	34%	6%	100%	32%	57%	11%	100%
Maine	87%	6%	7%	100%	78%	10%	12%	100%
Maryland	51%	45%	4%	100%	99%	1%	0%	100%
Massachusetts	35%	65%	0%	100%	84%	16%	0%	100%
Michigan	51%	48%	1%	100%	92%	8%	0%	100%
Minnesota	36%	47%	16%	100%	60%	22%	18%	100%

State	<u>Title IV-E Foster Care</u>				<u>Title IV-E Adoption Assistance</u>			
	Maintenance payments	Administration	Training	Total	Assistance payments	Administration	Training	Total
Mississippi	37%	57%	6%	100%	64%	36%	0%	100%
Missouri	40%	45%	16%	100%	74%	26%	0%	100%
Montana	59%	40%	1%	100%	61%	37%	1%	100%
Nebraska	55%	26%	19%	100%	98%	2%	0%	100%
Nevada	41%	48%	11%	100%	49%	49%	2%	100%
New Hampshire	66%	25%	9%	100%	68%	31%	1%	100%
New Jersey <sup>a</sup>	56%	41%	3%	100%	71%	29%	0%	100%
New Mexico	27%	50%	23%	100%	72%	28%	0%	100%
New York	61%	39%	0%	100%	92%	7%	0%	100%
North Carolina	41%	45%	14%	100%	90%	6%	4%	100%
North Dakota	39%	52%	9%	100%	73%	27%	0%	100%
Ohio	63%	33%	4%	100%	40%	53%	7%	100%
Oklahoma	44%	48%	8%	100%	69%	26%	4%	100%
Oregon	45%	57%	-2%	100%	81%	19%	0%	100%
Pennsylvania	56%	39%	5%	100%	63%	28%	9%	100%
Rhode Island	43%	50%	7%	100%	76%	18%	7%	100%
South Carolina	55%	29%	16%	100%	57%	26%	17%	100%
South Dakota	51%	48%	1%	100%	90%	10%	0%	100%
Tennessee	57%	29%	14%	100%	81%	18%	1%	100%
Texas	67%	27%	6%	100%	81%	18%	1%	100%
Utah	28%	61%	11%	100%	76%	18%	6%	100%
Vermont	72%	20%	8%	100%	70%	22%	8%	100%
Virginia	37%	55%	8%	100%	68%	4%	29%	100%
Washington	36%	59%	5%	100%	81%	19%	0%	100%
West Virginia	82%	14%	4%	100%	57%	35%	8%	100%
Wisconsin	36%	61%	3%	100%	87%	13%	0%	100%
Wyoming	64%	36%	0%	100%	73%	35%	-7%	100%

State	<u>Title IV-E Foster Care</u>				<u>Title IV-E Adoption Assistance</u>			
	Maintenance payments	Administration	Training	Total	Assistance payments	Administration	Training	Total
Puerto Rico	100%	0%	0%	100%	100%	0%	0%	100%
<b>Total</b>	<b>47%</b>	<b>47%</b>	<b>6%</b>	<b>100%</b>	<b>72%</b>	<b>24%</b>	<b>5%</b>	<b>100%</b>

**Source:** Table prepared by the Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS). Detail may not sum to total due to rounding. “For purposes of **Table C-3**, expenditures for SACWIS were excluded. Also excluded are costs associated with the HHS child welfare waiver experiments, for which a separate expenditure category appears.”

**Note:** As illustrated in **Table C-3**, a few states have negative claims for training. As discussed in the report, it is important to note that states may submit claims for expenditures for 2 years. HHS also “disallows” some of the expenditures claimed by the states for federal reimbursement (that is, they determine the expenditures are not eligible for federal reimbursement). These disallowances affect the total state claims in a given year, and may result in a “negative” claim by the state. The FY2000 data do not include any disallowances and may therefore be subject to change.

<sup>a</sup> State estimate used for fourth quarter for foster care and adoption assistance.

## Appendix D: Foster Care and Adoption Assistance in Six Selected States

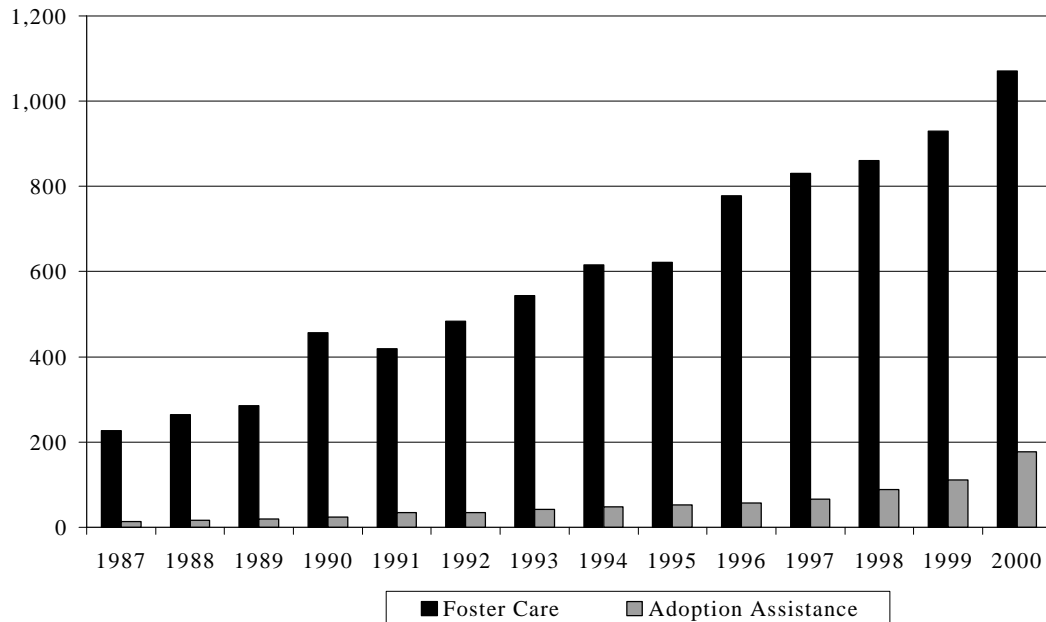
The national trends presented in this report mask tremendous variation by state in child welfare spending. The following figures illustrate for six larger states – California, New York, Pennsylvania, Illinois, Michigan, and Ohio – federal expenditures for foster care and adoption assistance from FY1987-FY2000 (controlling for inflation). The average monthly number of children claimed as eligible by the state for foster care and adoption assistance over this period of time is also illustrated. To illustrate the large variation in size of spending and eligible populations by each of these states, these figures are presented using the same scale. These figures highlight the following:

- **California:** Of the six selected states, California most closely reflects the trends observed nationally. The state has experienced an increase in federal expenditures for both foster care and adoption assistance. At the same time, the number of children claimed as eligible for foster care grew from FY1987-FY1998, and subsequently decreased. In contrast, the number of children claimed as eligible for adoption assistance has increased more consistently.
- **New York:** Federal spending for foster care has fluctuated over the past 14 years, while federal spending for adoption assistance in New York has increased consistently. After peaking in FY1992, the number of children claimed as eligible for federal foster care has decreased, with the state claiming a larger number of children eligible for adoption assistance than foster care for the first time in FY2000.
- **Illinois:** Federal spending for foster care in Illinois grew from FY1987-FY1997, but has since leveled off as the number of children claimed as eligible for foster care has decreased since peaking in FY1998. Federal spending for adoption assistance has grown in Illinois from FY1987-FY1999, but decreased in FY2000. The number of children claimed as eligible for adoption assistance has also increased, with the rate of growth increasing in FY1997, to a population similar to the number of children claimed as eligible for foster care by FY2000.
- **Pennsylvania:** Pennsylvania has seen more dramatic fluctuations in federal foster care spending, as spending increased from FY1987-FY1995, dropped in FY1996 but subsequently increased (except for FY2000). At the same time, federal spending for adoption assistance has grown consistently. The state has also reported more dramatic fluctuations in the average monthly population, with more children claimed as eligible for foster care than claimed as eligible for adoption assistance in every year.
- **Michigan:** Since FY1991, federal spending for foster care has remained relatively constant, as has the number of children claimed as eligible for foster care. Federal spending for adoption assistance has grown consistently, and the state has claimed a larger number of children eligible for adoption assistance than foster care since FY1994.

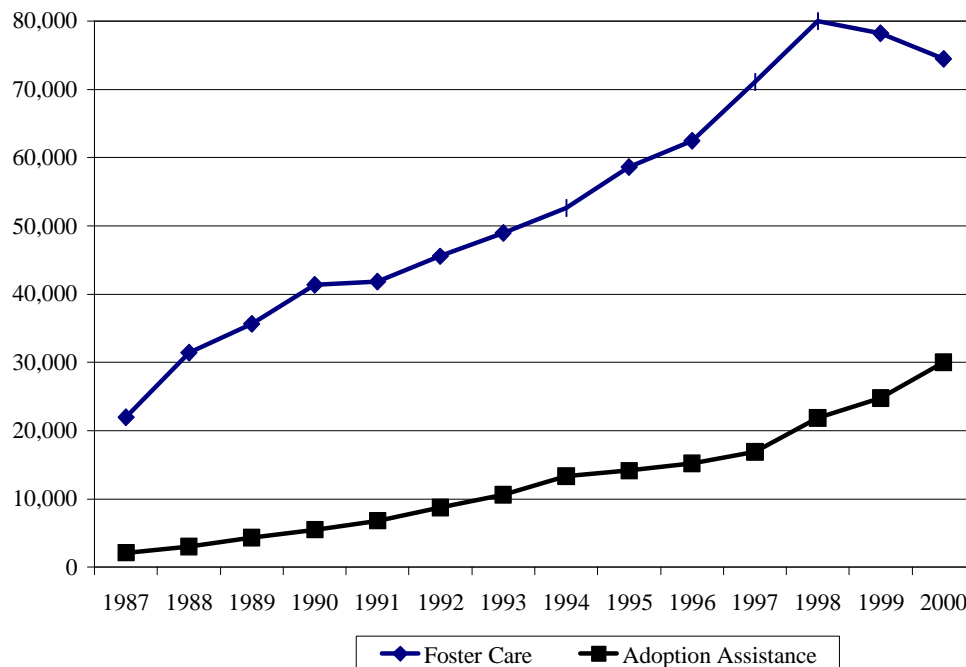
- **Ohio:** Federal spending for foster care has increased in Ohio over the past 14 years, although the number of children claimed as eligible for foster care has declined since peaking in FY1997. At the same time, like Michigan, federal spending for adoption assistance has increased and the state has claimed a larger number of children eligible for adoption assistance than for foster care since FY1994.

## California

**Figure 9. California: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**  
(in millions of FY2000 dollars)



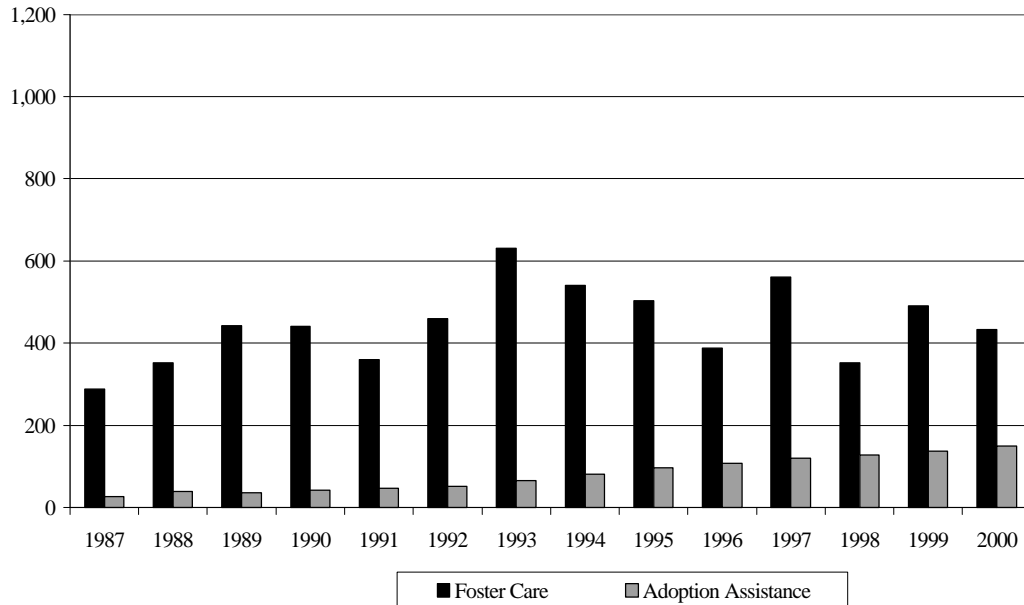
**Figure 10. California: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance FY1987-FY2000**



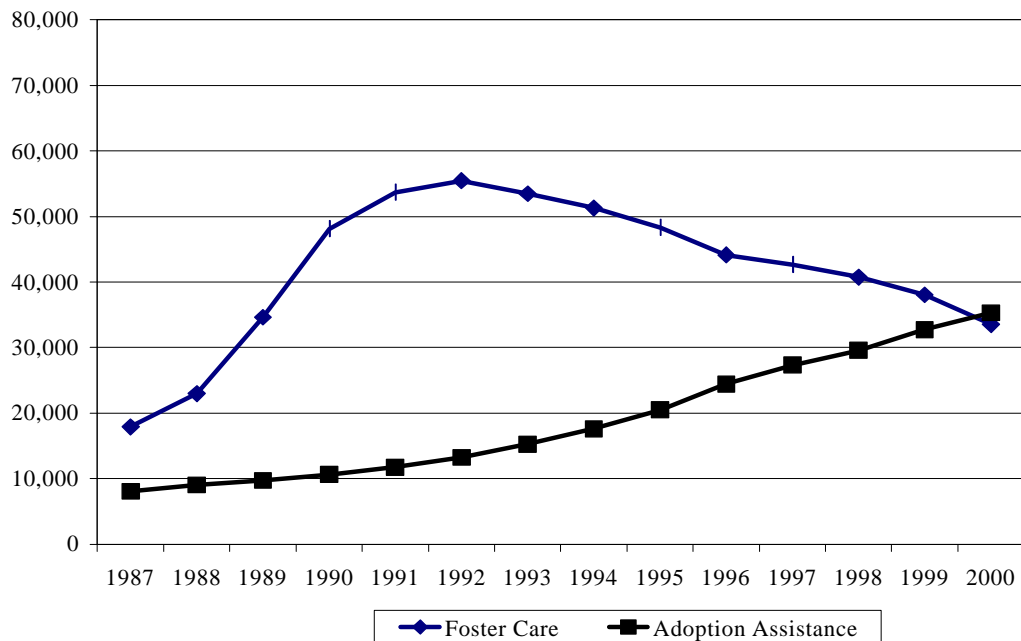
**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

## New York

**Figure 11. New York: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**  
(in millions of FY2000 dollars)



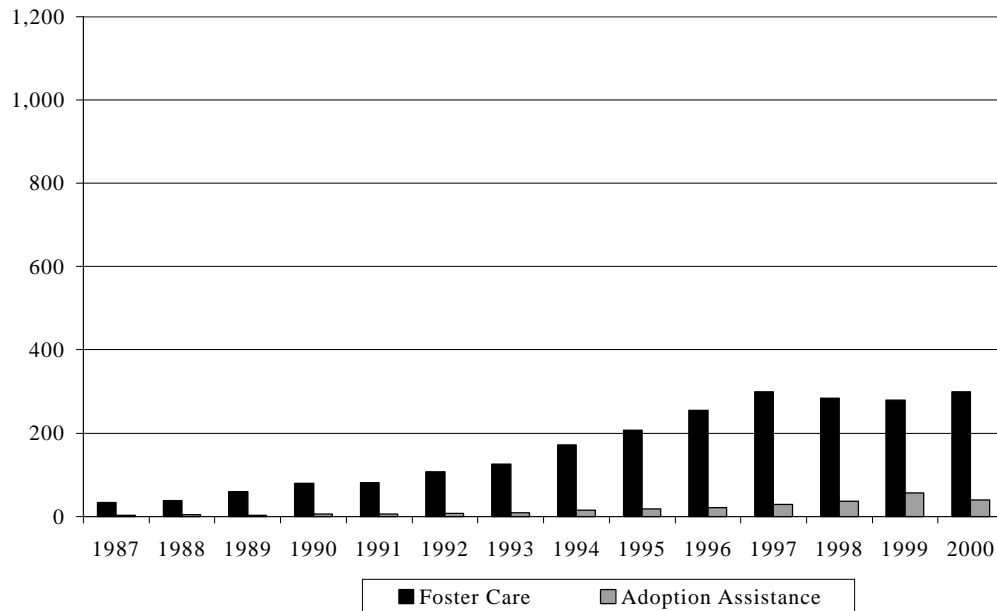
**Figure 12. New York: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance FY1987-FY2000**



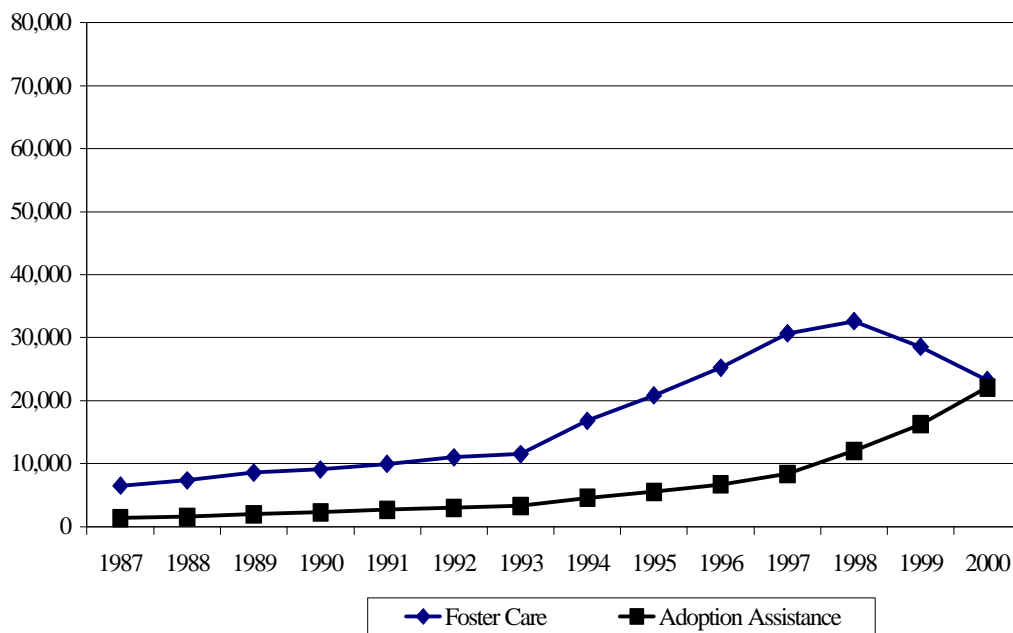
**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

## Illinois

**Figure 13. Illinois: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**  
(in millions of FY2000 dollars)



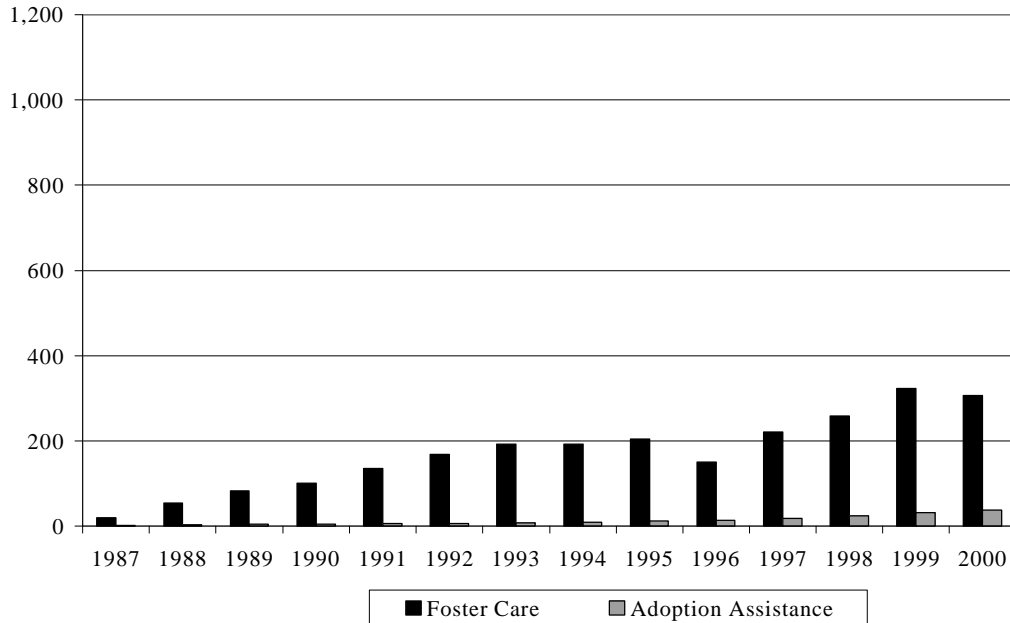
**Figure 14. Illinois: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**



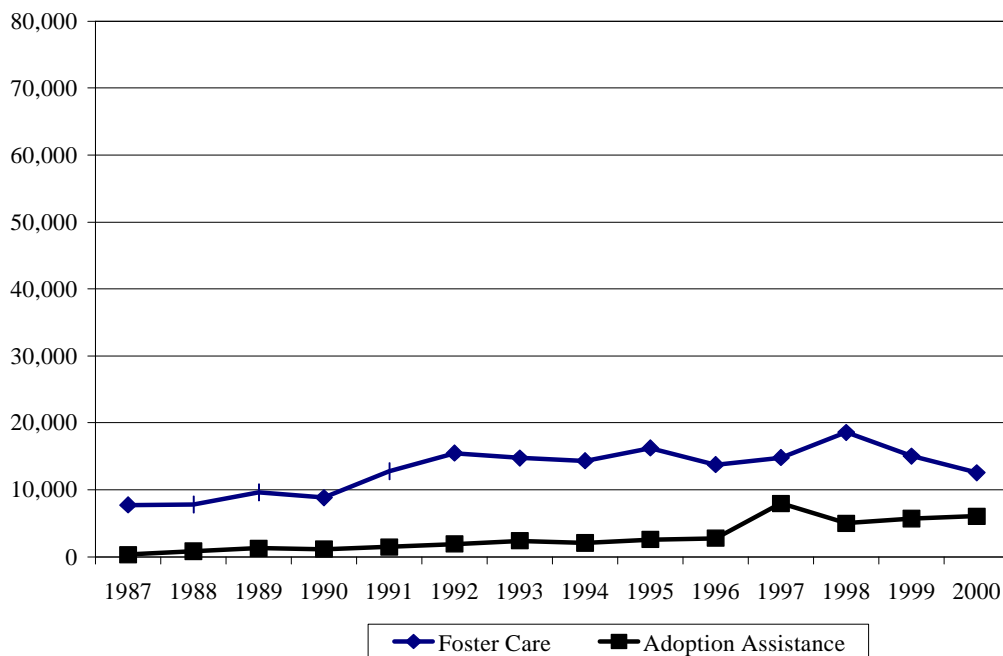
**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

## Pennsylvania

**Figure 15. Pennsylvania: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000 (in millions of FY2000 dollars)**



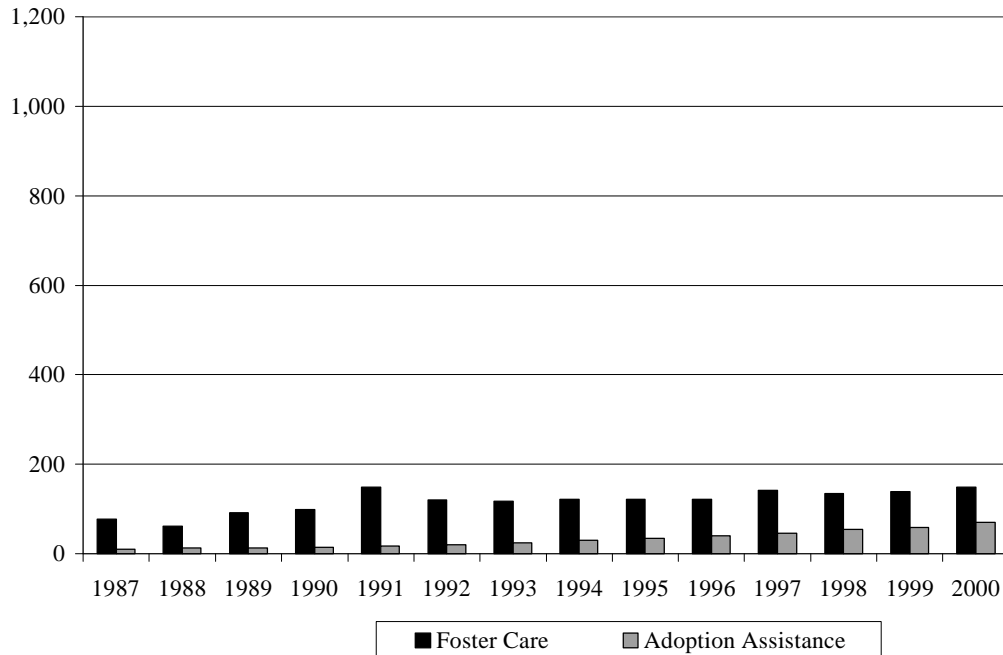
**Figure 16. Pennsylvania: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**



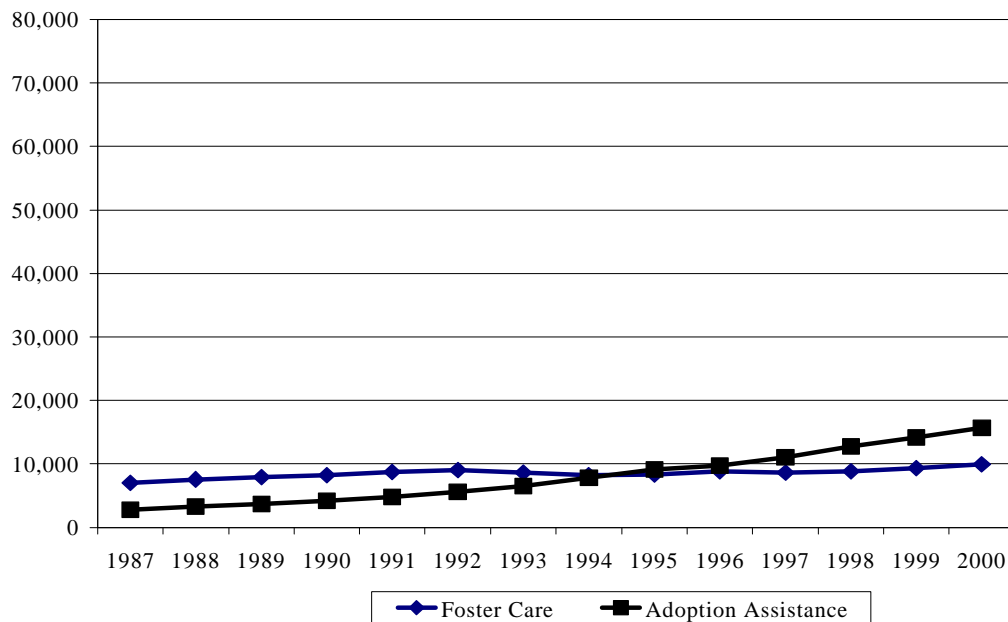
**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

## Michigan

**Figure 17. Michigan: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000  
(in millions of FY2000 dollars)**



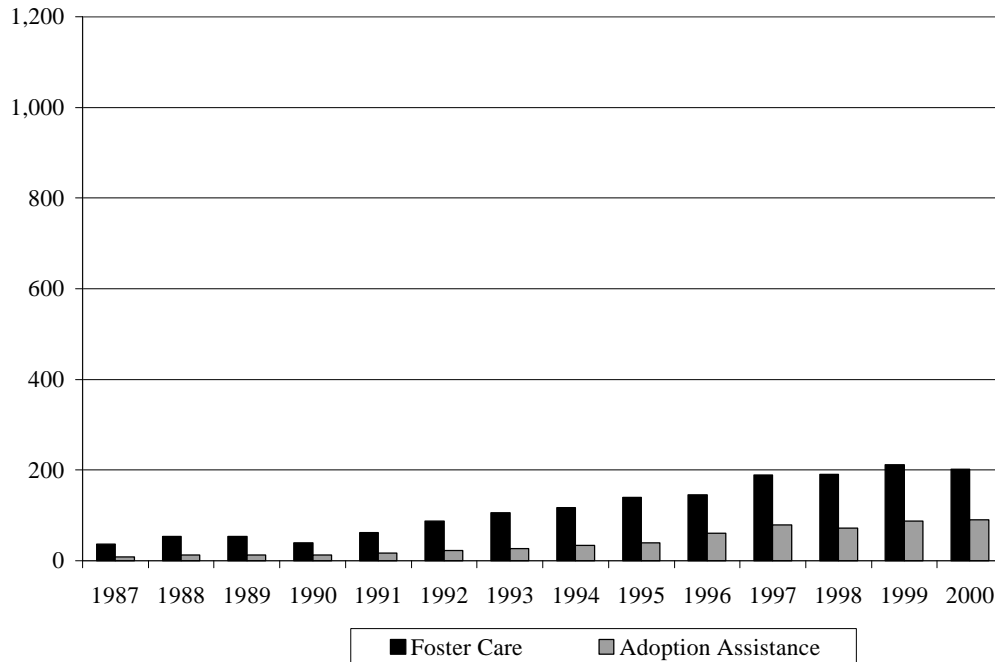
**Figure 18. Michigan: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**



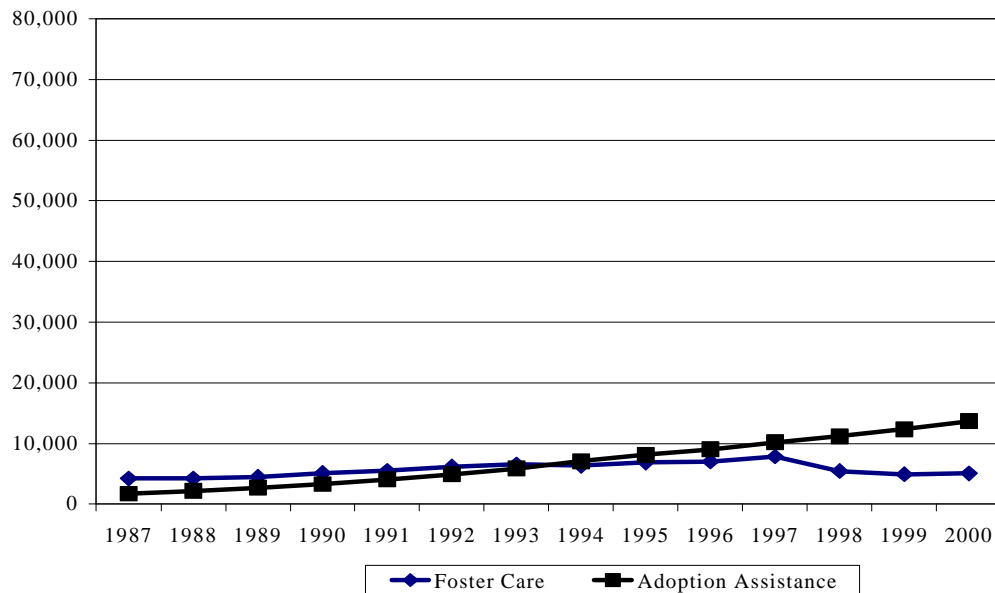
**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

## Ohio

**Figure 19. Ohio: Federal Expenditures for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**  
(in millions of FY2000 dollars)



**Figure 20. Ohio: Average Monthly Number of Children Eligible for Federal Reimbursement for Title IV-E Foster Care and Adoption Assistance, FY1987-FY2000**



**Source:** Congressional Research Service (CRS) based on data provided by the U.S. Department of Health and Human Services (HHS).

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