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The *Cost* of Protecting Vulnerable Children *V*

Understanding State Variation in Child Welfare Financing

THE URBAN INSTITUTE

CHILD WELFARE
RESEARCH PROGRAM

The *Cost* of Protecting Vulnerable Children *V*

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Assessing the New Federalism

Contents

Acknowledgments

The 2005 Child Welfare Survey was funded by the *Assessing the New Federalism* project, the Pew Commission on Children in Foster Care, and the Urban Institute.

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

The *Assessing the New Federalism* project is currently supported by the Annie E. Casey Foundation, the Robert Wood Johnson Foundation, the W. K. Kellogg Foundation, the John D. and Catherine T. MacArthur Foundation, and the Ford Foundation.

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Executive Summary

Child welfare agencies provide a safety net for abused and neglected children and children at risk of abuse and neglect. Federal, state, and local government funding supports all services provided by the state child welfare agencies. However, the amount of funding from federal, state, or local sources varies greatly by state and can be affected by both national and state-specific events. Our findings document the amount states spent on child welfare activities in state fiscal year (SFY) 2004, the funding sources they used, how child welfare spending changed since SFY 2002, and why we see such state variation in child welfare spending.

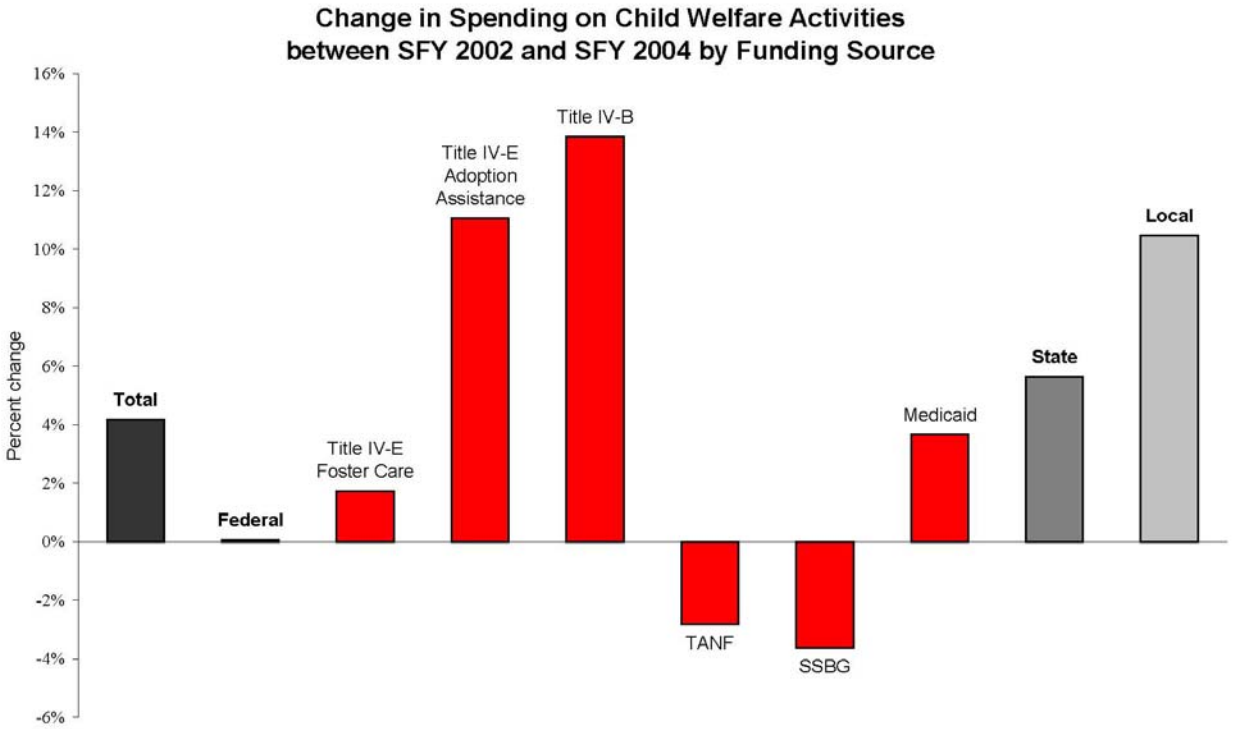
This survey was the fifth in a series analyzing states' financing of child welfare activities. The methodology was the same as previous rounds of the survey. In April 2005, we mailed the survey to each state child welfare director. Urban Institute staff conducted extensive phone, facsimile, and e-mail follow-up with each state to ensure data were properly interpreted. We received survey responses from 48 states and the District of Columbia. For the purposes of this paper, the District of Columbia is treated as a state.

In addition to the survey, this round also contained an intensive interviewing component of several stakeholders in a purposive sample of 15 states to help us understand and explore the reasons for state variation in child welfare spending. We sought interviews with child welfare agency directors and administrators, state legislators or legislative staff, and key informants (e.g., advocates, researchers). Interview questions focused primarily on the state's use of title IV-E and factors that may affect IV-E spending; however, other topic areas explored included basic background information on child welfare activities within the state, TANF and Medicaid spending, local spending, and the decisionmaking process around funding child welfare activities. Thirty-two interviews within 10 states were completed between April 2005 and October 2005.

Our findings from the survey are detailed below.

- **Nationally, child welfare spending continued to increase through SFY 2004.** States spent $23.3 billion in federal, state, and local funds in SFY 2004. This is a 4 percent increase since SFY 2002 and a 40 percent increase since SFY 1996. While total child welfare spending increased nationally, 13 states saw a decline in total spending. Among the possible reasons for the increase in total spending are increased expectations for the quality or comprehensiveness of services; a continued increase in adoption spending; and increases in the cost of providing services.
- **The increase in total spending was driven by increases in state and local spending.** While federal spending ($11.7 billion) remained stable between SFY 2002 and SFY 2004, state spending ($9.1 billion) increased 6 percent and local spending ($2.5 billion) increased 10 percent. The increase in local spending was due to increased spending in three large, county-administered states. Based on analysis of 47 states, federal spending accounted for 49 percent of total spending, state spending for 39 percent, and local spending for 12 percent.
- **Title IV-E Adoption Assistance spending continued to increase.** States spent $1.5 billion on the Adoption Assistance Program in SFY 2004. Analysis of the 39 states that provided complete data indicates that title IV-E adoption spending increased 11 percent ($134 million) from SFY 2002. Nearly all states pointed to caseload growth as the impetus for increasing expenditures.

- **States continue to struggle with title IV-E eligibility.** The average penetration rate in SFY 2004 was 52 percent (based on 46 states). Between SFYs 2002 and 2004, the penetration rate in 11 states increased while the penetration rate in 22 states declined. Analysis of 36 states that provided information on their penetration rate for SFYs 2000, 2002, and 2004 shows the foster care penetration rate consistently declining, from 58 to 55 to 54 percent. To ensure that all income-eligible children are determined eligible and to help counter the negative effect of the link to AFDC, many states improved the eligibility determination process by refining the court's role in eligibility determinations, creating specific eligibility units to help regiment the process, and even shifting their policies away from the use of noneligible placements such as unlicensed relatives.
- **Variation in both the amount of title IV-E foster care administrative spending and the ratio of administration to maintenance payments exists among states that have similar caseloads, costs of living, and child poverty rates.** The variation seems to be due to differences in states' federally approved cost allocation plans and issues related to staffing and training necessary to claim all appropriate costs. While differences in cost of living can help explain part of the range in the amount of spending, we found it did not speak to the variation in the ratio of administration to maintenance spending.
- **TANF and SSBG spending for child welfare activities declined.** In SFY 2004, states spent at least $4.8 billion from TANF, SSBG, and Medicaid combined, 2 percent ($97 million) less than in SFY 2002 based on 40 states. The slight decline is due to a decrease in TANF spending (3 percent), a slower rate of growth in Medicaid spending (4 percent), and a continued decline in SSBG spending on child welfare activities (4 percent). Because these



Source: Urban Institute 2005 Child Welfare Survey.
Notes: Changes in total, federal, title IV-E Foster Care, title IV-E Adoption Assistance, title IV-B, TANF, SSBG, Medicaid, state, and local spending are based on analysis of 47, 48, 35, 39, 47, 47, 47, 41, 47, and 36 states, respectively. SSBG includes transferred TANF funds. Nonfederal match is included in state and local dollars.

funding sources are not dedicated for child welfare purposes, the availability of these funds for the child welfare population is not guaranteed.

- **Local funding requirements were not changed when there were state fiscal pressures.** State administrators reported that states have not typically increased local responsibility for child welfare funding when there were budget shortfalls. Part of this may be because local funding responsibility is often part of state statutes, restricting the ability of the states to easily make changes to accommodate budget pressures. Another reason may be because localities simply do not have the ability to provide more funding than they are currently required to provide.

Throughout the report, we documented differences across states in the types of federal funding sources used and, to a lesser extent, how the funds are used for child welfare activities. What we found is that several possible reasons help explain why we see such state variation, including the availability and use of various nondedicated funding sources, how states use various funding sources, legal or political factors, and how the child welfare agency budget fits into the "big picture" of states' overall financing strategies. While, ultimately, the financing choices that states make are driven by the same thing—the provision of the necessary services required by state and federal statutes—these choices are heavily influenced by the context in which they are made. Understanding the complex array of both state-specific and federal issues under which states operate helps us understand why state financing strategies look so different. When considering all the factors that affect states' abilities to access various funding streams, how they use those funds, and the context in which those decisions are made, it is not surprising that states vary so substantially in their child welfare financing. Ultimately, states have appeared to build financing strategies that best work for them under the current financing system.

Introduction

Child welfare agencies provide a safety net for abused and neglected children and children at risk of abuse and neglect. In 2004, child welfare agencies received approximately 3 million referrals for suspected abuse or neglect involving 5.5 million children, and 872,000 children were found to be victims of child maltreatment.[1] Some children are able to remain in their homes, while others must be removed and placed in foster care or with relatives until they can return home. An estimated 518,000 children were in foster care as of September 30, 2004 (U.S. DHHS 2005a). Unfortunately, some children cannot return home. These children are either adopted, are placed permanently with relatives or other caregivers, or "age out" of the system (i.e., they turn 18 or 21 and exit the system). Federal, state, and local government funding supports the full array of services provided by public child welfare agencies (directly or through contracted providers). However, the amount of funding coming from federal, state, or local sources varies greatly by state and can be affected by both national and state-specific events.

Spending on child welfare activities reflects a complex network of state and federal statutory requirements. State expenditures on child welfare activities are influenced by state statutes that define abuse and neglect and establish necessary actions and services. In turn, these state statutes are interpreted by state and federal courts in relation to individual children, and many courts have specifically directed what services states are required to provide. States must also meet federal requirements to receive federal money. Titles IV-B and IV-E of the Social Security Act are the principal sources of federal funds dedicated for child welfare activities.[2] Other federal programs, such as the Social Services Block Grant (SSBG), Temporary Assistance for Needy Families (TANF), and Medicaid, as well as several mandatory and discretionary grants, are also used for child welfare purposes.

Federal Changes That Affect Child Welfare Spending

Three federal laws were enacted in the 1990s that changed federal policy and have affected spending for child welfare activities—the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the Adoption and Safe Families Act (ASFA) of 1997, and the Chafee Foster Care Independence Act of 1999.[3]

PRWORA changed the nation's welfare system by ending the individual entitlement to cash assistance and giving states considerable flexibility in the assistance programs they operate. Although PRWORA made few direct changes to the nation's child welfare system, it did change four federal funding streams used for child welfare activities:

- PRWORA eliminated Emergency Assistance (EA), an uncapped entitlement program that states were permitted to use for child welfare activities, including prevention, family preservation, foster care, family reunification, and parenting education. Funds from the EA program were folded into the TANF block grant. States can use TANF funds for child welfare activities as long as the activities meet one of the four purposes of the TANF program or were in the state's approved AFDC plan.
- PRWORA eliminated the Aid to Families with Dependent Children (AFDC) program, also an uncapped entitlement program. However, states are still required to determine eligibility for title IV-E Foster Care and Adoption

Assistance based on a child's eligibility for AFDC as it existed in their state's plan on July 16, 1996. Therefore, states must base a child's eligibility for title IV-E on a program and need standards that no longer exist in practice and are not adjusted for inflation.[4]

- PRWORA reduced the authorization level for SSBG by 15 percent. SSBG provides funding for a variety of social services, including child welfare–related activities such as preventive, protective, foster care, and adoption services. At the same time, PRWORA allowed states to transfer up to 10 percent of the TANF block grant to SSBG.
- In addition, PRWORA eliminated the individual functional assessment as a mechanism for determining eligibility for the federal Supplemental Security Income (SSI) program, making it more difficult for children to be determined eligible. Between 1991 and 1996, many children were determined SSI-eligible based on the individual functional assessment. If children are receiving SSI while placed in a traditional foster home without specialized services, this may benefit the state because unlike title IV-E, SSI requires no state match.

ASFA sought to provide states with the necessary tools and incentives to achieve the original goals of the 1980 Adoption Assistance and Child Welfare Act (P.L. 96-272): safety, permanency, and child and family well-being. The impetus for ASFA was a general dissatisfaction with states' performance in achieving these goals for children and families. The law placed safety as the paramount concern in decisionmaking about child welfare cases and the delivery of child welfare services, clarified when reasonable efforts to prevent removal or reunify children with their families were not required, and required criminal record checks of prospective foster and adoptive parents. To promote permanency, ASFA shortened the time frames for conducting permanency hearings, required states to make reasonable efforts to finalize a permanent placement, and established time frames for filing petitions to terminate the parental rights for certain children in foster care.

To promote adoption and give states an incentive to increase the number of children adopted from foster care, ASFA authorized the Adoption Incentive Payments program. Reauthorization of the Adoption Incentive program in December 2003 authorized funding of $43 million for each of the federal fiscal years (FFYs) 2004 through 2008, updated the baselines used to determine a state's eligibility for an adoption incentive payment, and revised the incentive structure.[5] States receive $4,000 for each finalized adoption of a child in foster care above an established baseline; $4,000 for each adopted child who is 9 years old or older and exceeds the relevant baseline; and, assuming that the state exceeded at least one of the first two baselines, $2,000 for any special needs child under the age of 9 who is adopted above the relevant baseline. The incentive payment for a child who can be counted toward exceeding more than one of these baselines is the sum of those awards (e.g., if a child is counted as exceeding the overall baseline and exceeding the age 9 or older baseline, the state receives $8,000).

The Foster Care Independence Act of 1999 changed the name of the title IV-E Independent Living Program to the Chafee Foster Care Independence Program and increased mandatory funding for the program from $70 million to $140 million. In addition, the Act required states to extend services to youth who have aged out of foster care, allowed states to extend Medicaid coverage to former foster children age 18 to 21, and removed the minimum age

requirement for independent living services. The Promoting Safe and Stable Families Amendments of 2001 also permitted the use of Chafee funds for education and training vouchers for eligible youth; youth who reach age 21 and are enrolled in a postsecondary education or training program toward which they are making satisfactory progress may continue to receive vouchers up to age 23. The amendments also added a discretionary funding authorization for education and training vouchers (beyond the Chafee funds) up to $60 million annually. Congress made the first appropriation for this purpose in FFY 2003.

Previous Findings

Since 1997, the Urban Institute has attempted to track how federal laws and other events affect states' spending on child welfare activities. The first round of the Urban Institute Child Welfare Survey in 1997 gathered SFY 1996 expenditure data from 48 states and the District of Columbia. These data provided a baseline on what was occurring before the 1996 federal welfare reform was implemented. Our 1997 survey found that total spending in SFY 1996 was $14.6 billion and that states varied significantly in their spending from federal, state, and local sources (Geen, Waters Boots, and Tumlin 1999; Waters Boots et al. 1999).[6] The survey also found that state child welfare agencies were using a large amount of funds not dedicated for child welfare activities (e.g., Medicaid, title IV-A EA, SSBG) to meet the needs of the children and families they serve. In addition, the survey found that states were spending little on other services—that is, services to prevent abuse and neglect, services to prevent children from entering foster care, or services to reunify children with their families—relative to spending on children in out-of-home placements.

A second round in 1999 collected SFY 1998 data and examined changes in spending between SFY 1996 and SFY 1998. Our 1999 survey found that total spending in SFY 1998 was $15.7 billion[7] and that child welfare spending was unstable; many states saw relatively large changes in their child welfare spending during the short time between the surveys (Bess, Leos-Urbel, and Geen 2001). It also found that states continued to rely heavily on funds not dedicated for child welfare and continued to spend relatively little money on services to prevent abuse and neglect, services to prevent children from entering foster care, or services to reunify children with their families. Finally, the survey found that states' reliance on welfare dollars (EA in 1996 and TANF in 1998) dropped considerably in two years.

The third round of the survey, conducted in 2001, collected SFY 2000 data and examined spending changes between SFY 1998 and SFY 2000 and, when possible, between SFY 1996 and SFY 2000. Our 2001 survey found that total spending in SFY 2000 was $19.9 billion and that welfare reform had clearly affected child welfare financing—between SFY 1998 and SFY 2000 spending on title IV-E maintenance payments declined, while between SFY 1996 and SFY 2000 states relied more heavily on TANF funds, and spending of pure SSBG funds declined substantially (Bess et al. 2002).[8] The survey also found that spending from all sources—federal, state, and local—increased, but federal spending increased the most since SFY 1998. As in the previous surveys, states' reliance on nondedicated federal funds continued, and a large increase in the use of TANF dollars allowed states to create or expand support programs for children and families involved with child welfare systems.

Conducted in 2003, the fourth round of the survey collected SFY 2002 data and examined spending changes between SFY 2000 and SFY 2002 and, when possible, between SFY 1996 and SFY 2002. Our 2003 survey found that total spending in SFY 2002 was $22.2 billion and that all components of child welfare spending—federal, state, and local—increased between SFY 2000 and SFY 2002 (Scarcella et al. 2004). States' continued reliance on funds not dedicated for child welfare was evident, as increases in TANF and Medicaid spending accounted for nearly all of the increase in federal spending and nearly half of total spending on out-of-home placements was from TANF, SSBG, and Medicaid spending. Furthermore, despite state fiscal pressures in SFY 2002, state and local spending continued to increase. Finally, the survey highlighted that financing of child welfare activities varied considerably among the states.

This paper presents the findings of the 2005 Urban Institute Child Welfare Survey, which collected SFY 2004 expenditures. In addition to presenting spending by source, it presents changes in spending between SFY 2002 and SFY 2004, as well as changes between SFY 1996 and SFY 2004 when possible. The survey was designed to continue tracking the impact of welfare reform on child welfare expenditures and to help us understand why child welfare financing, particularly title IV-E spending, varies so substantially across the states.

Methodology

This survey was the fifth in a series analyzing states' financing of child welfare activities. The methodology behind the survey collecting state fiscal data was the same as previous rounds of the survey. In addition to the survey, this round also contained an intensive interviewing component of several stakeholders in a purposive sample of states to help us understand and explore the reasons for state variation in child welfare financing.

Collecting and comparing child welfare expenditures across states is difficult for two reasons. First, child welfare agencies do not always serve the same populations. In some states, the child welfare agency is responsible for delinquent, homeless, and runaway youth, in addition to abused and neglected children. In other states, the child welfare agency may only be responsible for abused and neglected children. Second, states may not be able to document all the spending from the various funding streams available for child welfare. Federal funding for child welfare activities includes block grants that multiple agencies may use for multiple purposes, and states cannot always determine what portion was used for child welfare. In addition, many child welfare agencies are allocated a combination of state and federal funds and cannot always separate the funding sources. Some states also have difficulty reporting local spending accurately because localities may not be required to report spending to the state.

To adjust for this variation, the Urban Institute survey uses standardized definitions of child welfare expenditures to make the data as comparable as possible across states (table 1). States were asked to provide the expenditure data for the programs, case management, administration, and operation of their child welfare systems. These data include staffing and administrative expenses and expenditures on services provided by another agency under contract to the child welfare agency. States were instructed to exclude capital costs, appropriated but unexpended funds, and expenditures on services that the child welfare agency may be responsible for but that are not included in our definition of child welfare services, such as services for delinquent youth.

Table 1. Definitions of Child Welfare Expenditures

▪ **Expenditures**	**Include:** all state fiscal year (SFY) 2004 expenditures for the programs, case management, administration, and operation (including field and administrative staff expenses) of the state's child welfare services system, including all funds for services contracted out to another agency that meet the definition of child welfare below. **Exclude:** capital costs, appropriated but unexpended funds, and recoupment of federal reimbursement from prior years.
▪ **Child welfare**	**Include:** all the following services that are administered by the child welfare agency: services for children and families to prevent abuse and neglect; family preservation services; child protective services (intake, family assessment, investigation, and case management); in-home services; out-of-home placements (see definition below); and adoption services. **Exclude:** domestic violence, juvenile justice, and all other services that the child welfare agency may provide that are not listed above.
▪ **Out-of-home placement**	**Include:** payments for all children in family foster care, kinship care, shelter care, group or institutional residential care, independent living, and other placement settings; expenses associated with both in-state and out-of-state placements; expenditures on support services for children in placement (e.g., respite or child care, therapy); and administrative expenses associated with placement (including training). **Exclude:** adoption related expenses and expenditures associated with reunification services.
▪ **Adoption**	**Include:** all expenditures associated with adoptive and subsidized guardianship placements including assistance payments, pre- and post-adoption services, support services, non-recurring adoption expenses, and administrative expenses associated with placement (including training).
▪ **Administrative services**	**Include:** the staff salaries and overhead, but not capital costs, for the following services: intake; investigation; development of case plans; case reviews; case management and supervision; preparation for and participation in judicial determinations; recruitment, licensing, and oversight of foster and adoptive homes and institutions; and other administrative expenses (e.g., budget staff) associated with child welfare services. **Exclude:** administrative expenditures associated with out-of-home placements and adoptions as defined above.
▪ **Other services**	**Include:** all child welfare services not listed in out-of-home placement, adoption, or administrative services definitions above, including all prevention services, child protective services, family preservation services, reunification services, and in-home support services. **Exclude:** other services that may meet the definition of child welfare services that are not administered or contracted out by the child welfare agency (e.g., home visiting programs administered through the state health agency or parenting education programs administered by the state TANF agency).

It is also important to note that this survey only collects and documents expenditures on child welfare activities by state and local public child welfare agencies. We do not document expenditures by other agencies, such as the state welfare agency, on child welfare activities, nor do we include expenditures by private organizations unless they receive funding through the public child welfare agency. The distinction is important when examining our TANF and Medicaid expenditure data. Thus, our Medicaid data do not include any expenditures for routine health care services. Similarly, our TANF data do not include expenditures by the welfare agency, even if such expenditures may benefit families involved with the child welfare system.

In April 2005, we mailed the survey to each state child welfare director. The states' responses to our 2003 survey were also sent back for confirmation or adjustments. Published data from earlier reports may no longer be accurate as states have updated their SFY 1996, 1998, 2000, and 2002 data. The survey was also available in a web-based format, and each state was given a user identification number and password to

enter and make changes to their SFY 2004 data. The survey was due back in May 2005, but data collection continued through September 2005. Urban Institute staff conducted extensive phone, facsimile, and e-mail follow-up with each state to ensure data were properly interpreted. We received survey responses from 48 states and the District of Columbia, with 43 states using the web-based format. For the purposes of this paper, the District of Columbia is treated as a state.

In the past four rounds, we received data from 49, 48, 51, and 50 states respectively. Although we received data from 49 states in this round, some states were unable to provide all the information requested. Therefore, spending amounts reported below underestimate the true spending. This also limits our analysis of spending over time, and throughout the report the number of states included in our analysis is noted. Questions have been added, removed, expanded, or reworded on the survey instrument over the course of the five rounds. In the interest of time, the 2005 survey did not ask states to categorize their spending by use (out-of-home placements, administration, adoption, and other services), and combined SSI and Survivor's Benefits spending with other federal funds. Where possible, spending changes between SFY 1996 and SFY 2004 are presented, but the majority of the analysis will focus on changes between SFY 2002 and SFY 2004. Findings throughout the report are presented in SFY 2004 dollars. We adjust for inflation using the gross domestic product price deflator.

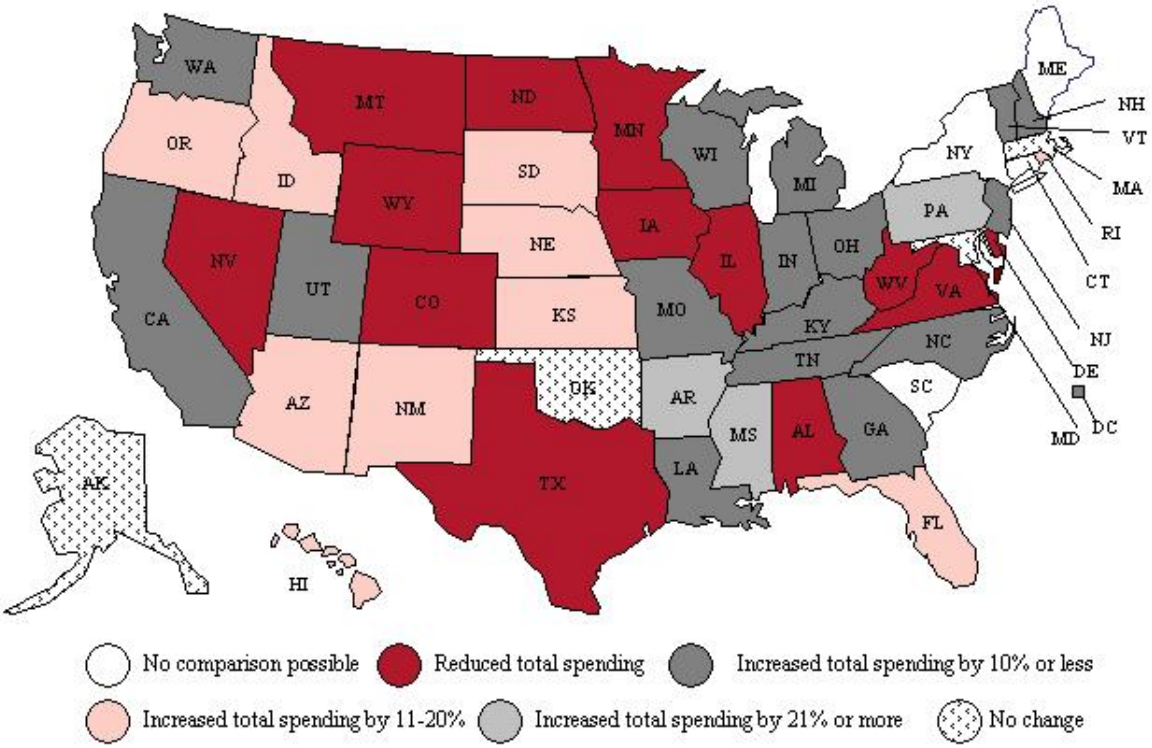
Another component of the 2005 survey was intensive interviews with several stakeholders in a purposive sample of 15 states to attempt to understand better why we see such state variation in child welfare financing. The 15 states were chosen based on their historical spending of title IV-E as a percentage of their total federal spending, with federal regional office and agency structure (e.g., state or county administered) considered as secondary factors. To encourage participation we assured confidentiality of both the respondent and the state. We sought interviews with child welfare agency directors and administrators, state legislators or legislative staff, and key informants (e.g., advocates, researchers). The length of the interviews ranged between 45 minutes and an hour and a half. While questions focused primarily on the state's use of title IV-E and factors that may affect IV-E spending, other topic areas included basic background information on child welfare activities within the state, TANF and Medicaid spending, local spending, and the decisionmaking process around funding child welfare activities. Not all questions and topic areas were asked of all respondents.

Thirty-two interviews within 10 states were completed between April 2005 and October 2005. Five of the sample states declined to participate in the interviews; however, the remaining 10 sample states still provided a good distribution of states with low, medium, and high title IV-E spending relative to total federal spending, region, and structure. Of the 32 interviews, 4 were child welfare agency directors, 14 were child welfare agency administrators composed of budget analysts and/or policy analysts, 6 were state legislative staff, and 8 of the interviews were key informants.

Total Child Welfare Spending

States spent at least $23.3 billion from federal, state, and local sources on child welfare activities in SFY 2004. This represents a 4 percent ($831 million) increase since SFY 2002 and a 40 percent ($5.7 billion) increase since SFY 1996, based on analysis of 47 and 44 states,

Figure 1. Changes in Total Child Welfare Spending between SFY 2002 and SFY 2004



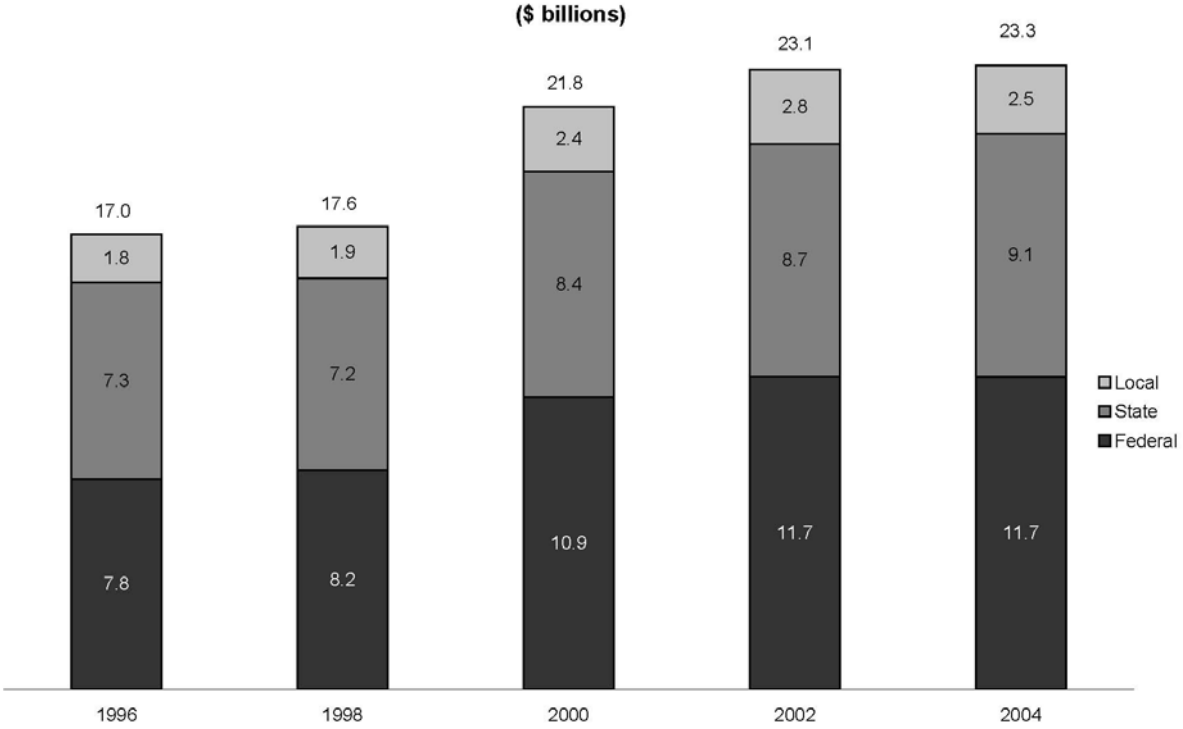
Sources: Urban Institute 2003 and 2005 Child Welfare Surveys.
Note: Changes are adjusted for inflation.

respectively. While the rate of growth for total spending increased substantially (21 percent) between 1998 and 2000, it has since increased at a slower pace. States varied in their change in total spending between SFY 2002 and SFY 2004 (figure 1). Thirteen states reported declines ranging from 1 percent to 20 percent. Thirty states reported increases in total spending, with two states experiencing increases of more than 30 percent. Four states saw no change in total spending and four states could not be analyzed. The median change between SFY 2002 and SFY 2004 was an increase of 4 percent.

In SFY 2004, states spent $11.7 billion in federal funds, $9.1 billion in state funds, and $2.5 billion in local funds (figure 2). Federal spending did not change between SFY 2002 and SFY 2004, while state spending increased 6 percent ($465 million) and local spending increased 10 percent ($241 million). Clearly, the increase of 4 percent in total spending since SFY 2002, a modest increase over inflation, was driven by increases in state and local spending. Among the possible reasons for the increase in total spending are increased expectations for the quality or comprehensiveness of services, a continued increase in adoption spending, and increases in the cost of providing services. These factors are discussed further below.

First, child welfare spending is subject to state and federal statutory requirements placed on child welfare agencies that define which children a state is expected to serve and what constitutes acceptable services.

Figure 2. Federal, State, and Local Spending: SFY 1996–2004
($ billions)



Source: 1997, 1999, 2001, 2003 and 2005 Urban Institute Child Welfare Surveys
Note: Includes data from 51 states. Totals may not sum due to rounding. In SFY 1998, the numbers do not equal the total due to incomplete federal data. Numbers are adjusted for inflation and presented in SFY 2004 dollars.

State responses to alleged abuse or neglect vary, eligibility for various services is determined on a state-by-state basis, and states respond differently to parents who voluntarily declare they cannot care for their children. Thus, states have to spend some minimum level of funding to meet these requirements. State statutory requirements are subject to change, and the expectations for the quality or comprehensiveness of services may be influenced by federal or state court requirements as a result of litigation, the federal government's Child and Family Services Reviews, or changes in state preferences or political climate. In some states, federal or state courts have specifically directed states to provide particular services. In addition, the federal government now conducts Child and Family Services Reviews in all states, identifying strengths and weaknesses; states face fiscal penalties if these weaknesses are not addressed. Finally, states may undertake system reform, such as refocusing their service approach on early intervention and prevention services or instituting permanency initiatives, within their child welfare agency as a result of changing state preferences regarding the provision of services or a gubernatorial or legislative focus on child welfare issues. With increased expectations for the quality or comprehensiveness of services, the minimum level of spending required to sustain those obligatory services may also increase.

Second, there continues to be an increase in title IV-E spending on Adoption Assistance. As with previous rounds of the survey, an increase in adoption spending was expected given the mandates of ASFA and the subsequent movement of children from foster care to adoption. However, even if the number of children adopted each year begins to decline, the total number of children receiving adoption subsidies will still increase until departures from adoption equal entries. Because children receive adoption subsidies until age 18, it will take a

few years before these numbers are equal. Therefore, adoption spending will continue to increase as the cumulative number of children receiving adoption subsidies increases.

Third, events such as changes in the size and makeup of their caseloads, increases in provider rates, or increases in the cost of the actual services all have the potential to increase the total cost of providing child welfare services. Administrators in both the 2003 and 2005 survey noted that they are serving an increased number of children with multiple or severe needs and, subsequently, having to dedicate more funding to residential and special services for this population. It should be noted that while individual states may have caseload data to confirm a shift in caseload characteristics, we have not collected state caseload data to confirm these statements. However, a 2003 GAO study found that some children are placed in foster care simply to access mental health services (GAO 2003). Other states noted increasing their base rates for various placement settings and increasing caseworker salaries. Given that states have a base of services they are required to provide, states' funding choices may be constrained when the cost of providing those services increases.

Distribution of Child Welfare Spending

Federal funds were a little less than half of all expenditures for child welfare activities. Based on analysis of 47 states, federal funds accounted for 49 percent of total spending, state funds for 39 percent, and local funds for 12 percent.[9] It is important to note, however, that this finding is sensitive to the definition of child welfare spending and the particular states included in the analysis. As discussed above, states are required by both federal law and their own statutes to provide a wide range of child welfare services to children and families. Our definition of child welfare activities may have excluded some services that states may consider child welfare. Excluding those services, and more specifically the federal or state funds used to pay for them, may affect the state-versus-federal expenditure distinction. Further, including (or excluding) a large state could also affect the ratio of spending.

Reliance on federal, state, and local funds varied greatly by state (figure 3). In 15 states, federal funds accounted for more than 60 percent of total spending; in 10 states they accounted for less than 40 percent. Several factors may explain this variation. First, differences in states' reliance on federal funds may reflect differences in states' abilities to identify and claim expenditures for federal reimbursement or in how states choose to use federal block grant funds. Second, the federal government reimbursed states at different rates for some child welfare expenditures. For example, in 2004 the federal share of foster care maintenance payments ranged from 50 to 77 percent depending on the state's per capita income. States with higher per capita incomes, such as Massachusetts, received a lower federal share and were expected to rely less on federal funds. Third, these differences are at least partially a result of differences in states' child welfare caseloads. Not all children in care are eligible for support from certain federal funding streams; therefore, some states may have less children eligible for federally funded support than other states.

Federal Child Welfare Spending

Titles IV-B and IV-E of the Social Security Act are the principal sources of federal funds dedicated for child welfare activities. Other federal programs, such as SSBG and TANF, and several mandatory and discretionary grants are also used for child welfare purposes. This section focuses on the major federal funding sources for child welfare (table 2).

At least $11.7 billion in federal funds was spent in SFY 2004 on child welfare activities. The level of spending from the

Figure 3. Percent of States' Total Child Welfare Spending from Federal and State or Local Sources in SFY 2004

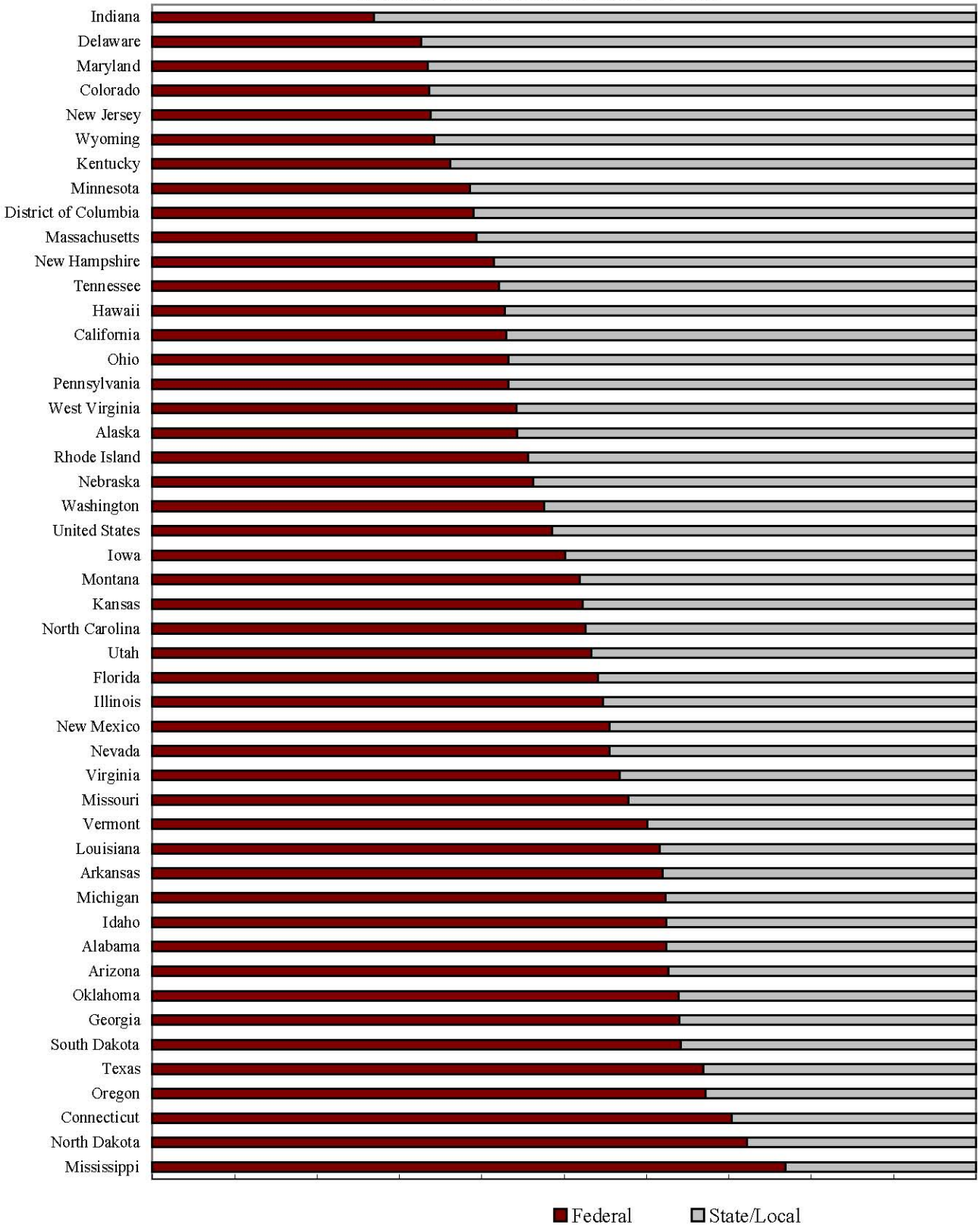


Table 2. Key Federal Child Welfare Funding Sources, 2004

Funding Source	Eligible Population	Eligible Services	Funding Level
Title IV-B			
Subpart 1 (Child Welfare Services)	No eligibility criteria.	Services to prevent abuse and neglect, reduce foster care placements, reunite families, arrange adoption, and ensure adequate foster care.	Non-entitlement funded at $289 million in FFY 2004. States are required to provide a 25 percent nonfederal match. Expenditures in SFY 2004 totaled $301 million.
Subpart 2 (Promoting Safe and Stable Families)	No eligibility criteria.	Services to support families and avert foster care, time-limited services to reunify families, and services to promote and support adoption.	State entitlement capped at $305 million with additional $99 million in discretionary funds appropriated in FFY 2004. States are required to provide a 25 percent nonfederal match. Expenditures in SFY 2004 totaled $338 million.
Title IV-E Foster Care			
Maintenance Payments	Certain children who would have been eligible for the Aid to Families with Dependent Children (AFDC) program.[a]	Payments to foster care providers to cover basic maintenance, including children's food and shelter and parental visits. Funds may not be used for direct services.	Open-ended entitlement with federal match equal to state Medicaid matching rate. Expenditures in SFY 2004 totaled $1.8 billion.
Administration	Expenses associated with title IV-E–eligible children in foster care and proportional administrative expenses for the foster care program.	Certain pre-placement services, placement services, case management, eligibility determinations, licensing, foster care recruitment, and other administrative activities—including training of non-public-agency staff.	Open-ended entitlement with 50 percent federal match. Expenditures in SFY 2004 totaled $1.8 billion.
Training	Cost of training proportional to children eligible for title IV-E.	Training of public agency staff and foster parents.[b]	Open-ended entitlement with 75 percent federal match. Expenditures in SFY 2004 totaled $155 million.
Title IV-E Adoption Assistance			
Adoption Payments	Special needs children eligible for AFDC or Supplemental Security Income (SSI).	Payments to adoptive parents—not to exceed comparable foster care amounts.	Open-ended entitlement with federal match equal to state Medicaid matching rate. Expenditures in SFY 2004 totaled $1.2 billion.
Administration	Expenses associated with children eligible for title IV-E adoption assistance.	Child placement and other administrative activities.	Open-ended entitlement with 50 percent federal match. Expenditures in SFY 2004 totaled $261 million.
Training	Cost of training proportional to children eligible for title IV-E.	Training of public agency staff and adoptive parents.[b]	Open-ended entitlement with 75 percent federal match. Expenditures in SFY 2004 totaled $27 million.
Nonrecurring Expenses	Special needs children.	Reasonable and necessary adoption fees, court costs, attorney fees, and related expenses.	Open-ended entitlement with 50 percent federal match up to $2,000 a placement. Expenditures are included in adoption payments above.

Table 2. Key Federal Child Welfare Funding Sources, 2004 (continued)

Funding Source	Eligible Population	Eligible Services	Funding Level
Title IV-E Chafee Foster Care Independence Program	Youth (no minimum age) who are likely to remain in care until age 18; youth age 18 to 21 who "aged out" of foster care.	Services include basic living skills training, education, employment initiatives, substance abuse prevention, and preventive health activities. No more than 30 percent of the funds may be used for housing for youth age 18 to 20.	State entitlement capped at $140 million in FFY 2004. States are required to provide a 20 percent nonfederal match. Expenditures in SFY 2004 totaled $138 million.
Title IV-E Education and Training Vouchers	Youth eligible for services under the Chafee Program; youth adopted from foster care after reaching age 16; youth—up to age 23—who are progressing toward degree/training completion on 21st birthday.	Vouchers (up to $5,000/year) for expenses related to post-secondary education or vocational training.	Non-entitlement funded at $45 million in FFY 2004. Expenditures in SFY 2004 totaled $24 million.
Title IV-E Statewide Automated Child Welfare Information System (SACWIS)	Not applicable.	Funds support state efforts to develop automated child welfare information systems, including costs associated with planning, design, development, and installation.	Open-ended entitlement with ongoing operational costs matched at 50 percent. Expenditures in SFY 2004 totaled $134 million.
Temporary Assistance for Needy Families (TANF)	Needy families with children (as defined by the state). For those services that meet one of the last two purposes of the program, there is no requirement that families be needy.	Child welfare–related services must meet one of the four purposes of the program *or* have been in the state's AFDC plan on September 30, 1995, or August 21, 1996.[c]	State entitlement (no individual entitlements) capped at $16.5 billion in FFY 2004. No required state match, but states must spend 75 percent of what they spent in 1994. Expenditures in SFY 2004 for child welfare activities totaled $3.0 billion (including transfers to SSBG).
Social Services Block Grant (SSBG)	Varies by state.	Services to achieve five broad statutory purposes. Includes preventive, protective, and permanency services for abused and neglected children.	Capped entitlement to states set at $1.7 billion in FFY 2004. Expenditures in SFY 2004 for child welfare activities totaled $772 million (excluding TANF transfers).
Medicaid	Varies by state within certain federal parameters. Title IV-E–eligible children are categorically eligible. Non-title-IV-E–eligible adopted children are eligible at state option. At state option, eligibility may be extended to former foster youth 18 to 21.	For child welfare purposes (of this survey), targeted case management and rehabilitative services.	Open-ended entitlement with a variable federal matching rate inversely related to a state's per capita income; can range from 50 to 77 percent. Expenditures in SFY 2004 for child welfare clients totaled $1.0 billion.
Supplemental Security Income (SSI)	Low-income children and adults who are age (65 and over), blind, or disabled.	Payments are to cover food, clothing, and shelter, and to cover some nonmedical, disability-related costs.	Federally funded program with no required state match.

Source: Expenditure data from the 2005 Urban Institute Child Welfare Survey.

a. Under welfare reform, eligibility for title IV-E is based on 1996 AFDC income-eligibility standards and other AFDC program criteria including "deprivation."

b. Training of contracted private agencies and child welfare training for staff from other departments (such as mental health), have a 50 percent federal match.

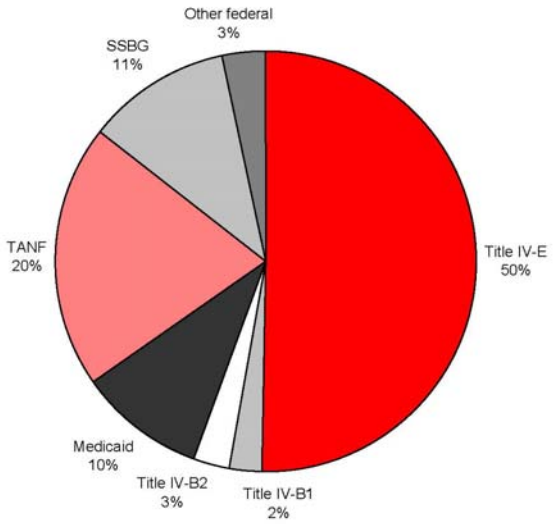
c. The four purposes of the TANF program are to "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families" (Section 401(a) of the Social Security Act).

federal government remained stable between SFY 2002 and SFY 2004, with an insignificant increase of only $7.8 million, based on data available from 48 states. However, change in federal spending varied significantly by state. The median change in federal spending was an increase of 2 percent. Eighteen states reported decreases ranging between 1 percent and 41 percent, while two states reported increases greater than 30 percent. Two states reported no change in federal spending. Analysis of 47 states indicates that federal spending on child welfare activities increased 49 percent ($3.7 billion) between SFY 1996 and SFY 2004.

The 2003 survey found that substantial increases in TANF and Medicaid spending accounted for nearly all of the increase in federal spending. Conversely, in SFY 2004, a decrease in TANF spending and only a small increase in Medicaid spending account for federal spending remaining steady between SFY 2002 and SFY 2004. The decline in TANF spending can be attributed to a declining availability of those funds for nonassistance programs such as child welfare. Although Medicaid saw a small increase (4 percent) from SFY 2002, it was considerably smaller than the 29 percent increase experienced between SFYs 2000 and 2002. Many states noted moving away from the use of Medicaid for targeted case management (TCM) and rehabilitative services because of the current federal climate surrounding that funding source. Both the TANF and Medicaid changes will be discussed more extensively later in the report.

Forty-two states were able to identify spending by federal funding stream (figure 4). Title IV-E expenditures, including Foster Care, Adoption Assistance, and Chafee funds, accounted for approximately 50 percent of the federal funds used for child welfare activities, TANF for 20 percent, SSBG for 11 percent,[10] Medicaid for 10 percent, other federal funds for 3 percent,[11] title IV-B subpart 2 for 3 percent, and title IV-B subpart 1 for 2 percent. Spending from TANF, SSBG, and Medicaid made up 41 percent of federal spending on child welfare activities.

Figure 4. SFY 2004 Federal Child Welfare Spending by Funding Source



Source: Urban Institute 2005 Child Welfare Survey
Notes: May not total 100 percent due to rounding. Based on data from 42 states. SSBG includes transferred TANF funds. Other federal funds includes SSI and Survivor's Benefits.

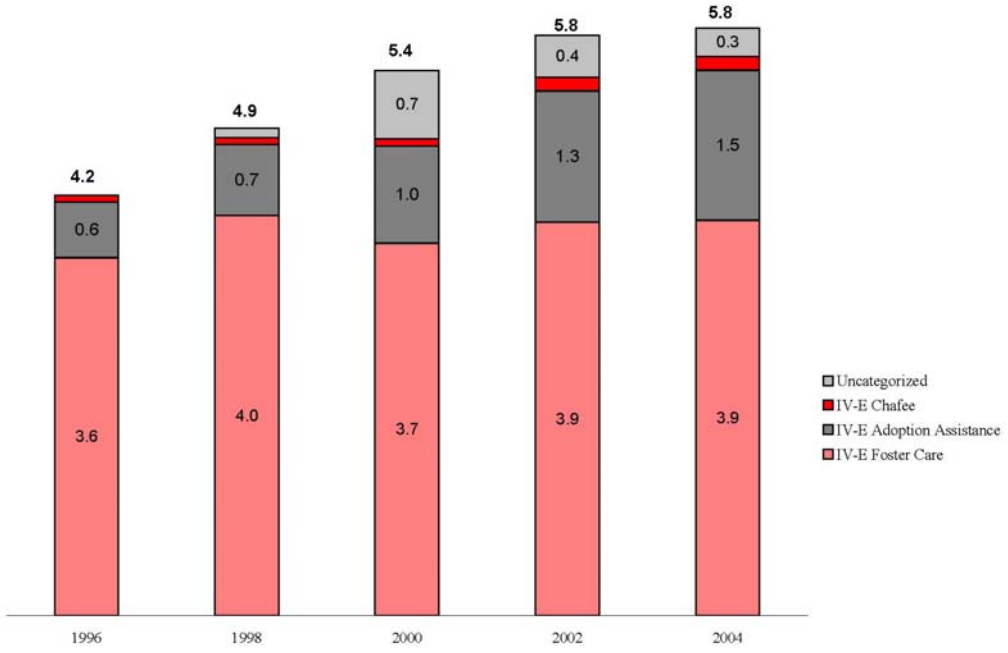
Federal Funds Dedicated for Child Welfare

Titles IV-E and IV-B of the Social Security Act authorize the largest federal programs dedicated for child welfare. Title IV-E, the largest funding stream, consists of the Foster Care and Adoption Assistance Programs, which are open-ended entitlements; the Chafee Foster Care Independence Program, which is a capped entitlement; and a non-entitlement funding authorization for education and training vouchers to youth who have aged out of foster care. Title IV-B authorizes discretionary and capped entitlement funding to the states and consists of two subparts—Child Welfare Services (subpart 1) and Promoting Safe and Stable Families (subpart 2). There are also several relatively small discretionary grants targeted for child welfare purposes discussed later in the other federal funds section.

Title IV-E

The Foster Care Program reimburses states for maintenance payments provided to cover shelter, food, and clothing costs for eligible children in care; placement and administrative costs; and training for staff and foster and adoptive parents. The Adoption Assistance Program reimburses states for adoption assistance payments made to adoptive parents of eligible special needs children; administrative costs; training for staff and adoptive parents; and nonrecurring expenses, such as court costs and attorney fees, associated with the adoption of special needs children.[12] The Chafee Foster Care Independence Program provides funding to states for services and programs to prepare youth in foster care (or formerly in the foster care system) to live independently after exiting foster care. Its funding is capped at $140 million a year, and state allocations are based on each state's share of the nation's foster care population in the most recent year of data

Figure 5. Title IV-E Program Spending: SFY 1996–2004
($ billions)



Source: Urban Institute 1997, 1999, 2001, 2003, and 2005 Child Welfare Surveys
Notes: Totals may not sum due to rounding. Uncategorized expenditures are title IV-E dollars that states were not able to categorize for this survey as spending on the Foster Care, Adoption Assistance, or Chafee Programs. Numbers are adjusted for inflation and presented in SFY 2004 dollars.

available.

More than $5.8 billion in title IV-E funds was spent in SFY 2004 (figure 5).[13] This represents a 2 percent ($94 million) increase since SFY 2002 based on data available from 47 states. While the median change was 1 percent, 20 states decreased title IV-E spending (ranging from 1 to 34 percent), 3 states experienced no change, and of the 24 states that saw an increase in title IV-E spending, four had increases greater than 30 percent. Overall, an analysis of 46 states indicates that title IV-E spending has increased 38 percent ($1.6 billion) since SFY 1996. As with previous rounds of the survey, the continuing increase in title IV-E spending is due primarily to a continued increase in spending on the Adoption Assistance Program as well as a small increase in expenditures on the Foster Care Program. These programs are discussed further below.

Foster Care Program. States spent at least $3.9 billion in title IV-E Foster Care funds in SFY 2004. Title IV-E expenditures on the Foster Care Program increased 2 percent ($41 million) from SFY 2002, according to data from 35 states. Within the Foster Care Program, at least $1.8 billion was spent on maintenance payments and $2.1 billion combined on administration, training, and Statewide Automated Child Welfare Information Systems (SACWIS). Based on analysis of 35 states, spending on maintenance payments increased by 2 percent while spending on administration, training, and SACWIS also increased 2 percent from SFY 2002.

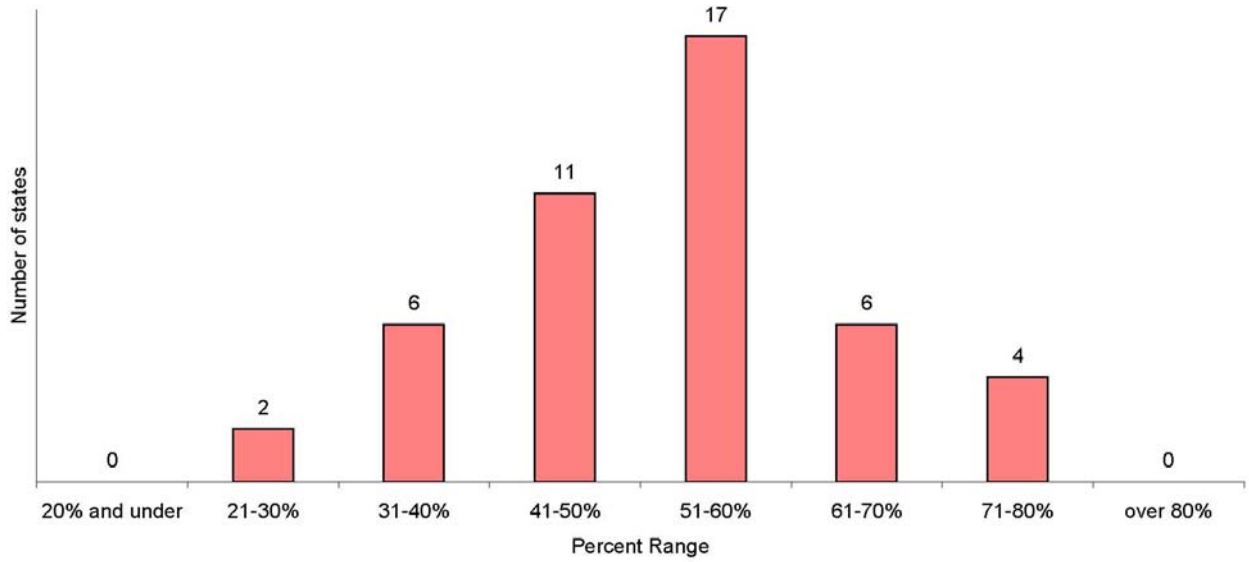
Of the 35 states included in this analysis, 18 decreased spending, 16 increased spending, and one state had no change in spending. The slight increase in spending on the Foster Care Program was mostly due to an increase in spending on administration. States reporting an increase in Foster Care spending noted increases in the number of children eligible for title IV-E as a result of improvements in eligibility determination processes, increases in the number of children in out-of-home placements, increased base rates for out-of-home care providers, or an increase in the amount of state money available to match title IV-E as a reason for the increase. Each of these are discussed in further detail below.

The number of children eligible for title IV-E in a given state represents the pool of children for which the state can claim federal reimbursement for a portion of their maintenance payments. States were asked to estimate the percentage of children in out-of-home placements in SFY 2004 that received title IV-E reimbursed maintenance payments (sometimes referred to as the penetration rate). Based on the 46 states that were able to provide these data, approximately 52 percent of children in out-of-home placements were receiving title IV-E reimbursed maintenance payments in SFY 2004. Nationally, the penetration rate continues to decline. However, individual state penetration rates vary (figure 6), and of the 43 states that were able to provide a point estimate or range for their penetration rate in both SFY 2002 and SFY 2004, 11 states showed a clear increase, while 22 states showed a clear decline.[14] An analysis of 36 states that provided complete information on their penetration rate in SFYs 2000, 2002, and 2004 found that the penetration rate declined from 58 percent in SFY 2000 to 55 percent in SFY 2002 to 54 percent in SFY 2004.

To understand the variation in state penetration rates, it is important to understand the factors that determine whether or not a child is eligible for title IV-E. Title IV-E eligibility requirements include

- meeting the need standards (family income level) and “deprivation” of parental care/support criteria set by the AFDC program;
- a judicial finding that the state made “reasonable efforts” to prevent removal of the child and that remaining in the biological home was “contrary to the welfare” of the child;

Figure 6. State Penetration Rates by Range for Foster Care Maintenance Payments in SFY 2004



- the state child welfare agency must have responsibility for the child's placement in care; and
- the child must be placed in a licensed foster family home or child care institution.

Child welfare agencies do not have control over whether or not a child meets the need standards (income level) established for their state in the old AFDC program. Although the look-back date to determine eligibility is July 16, 1996, under the AFDC program, states were not required to update income levels. Therefore, in some states, income standards for AFDC eligibility represent income levels from years prior to 1996. Because the need standards have not been adjusted for inflation, the number of children who are income-eligible continues to decline. Interviews with child welfare administrators extensively discussed the common reasons why children in out-of-home placements were not eligible for title IV-E foster care. All of the administrators in the 10 interviewed states pointed to the link to AFDC as the primary reason why children are not eligible for title IV-E.

To improve their penetration rate, states must focus on meeting the latter three eligibility requirements so that all income-eligible children are determined eligible. Although all of the interviewed administrators noted that these factors are secondary to the look-back provision in terms of reasons why children are not eligible for IV-E, several also noted struggles with these areas at one time or another since welfare reform. Many of the states had undertaken successful efforts to improve the court's role in eligibility determinations, including training judges and court personnel, standardizing documentation, involvement in court improvement projects, and establishing court liaison positions. Other administrators discussed creating specific eligibility units to help regiment the process. Finally, some administrators noted moving away from the use of noneligible placements such as unlicensed relatives. Thus, individual states' abilities and efforts to improve their eligibility determinations explain the variation among states in penetration rates and are one reason for the increase in spending on the Foster Care Program.

Another factor identified as a reason for the increase in Foster Care Program spending was the increasing numbers of children in foster care and increases in the base rates for out-of-home care providers. Although nationally, foster care caseloads have been declining since 2000,[15] individual states reported on the survey increasing numbers of children in out-of-home placements as the impetus for their increased IV-E spending. Furthermore, administrators in both the 2003 and 2005 survey noted that they are serving an increased number of children with multiple or severe needs and, subsequently, are having to dedicate more funding to residential and special services for this population. It should be noted that while individual states may have caseload data to confirm a shift in caseload characteristics, we have not collected state caseload data to confirm these statements. However, a GAO (2003) study found that some children are placed in foster care simply to access mental health services.

Finally, some states saw an increase in the amount of state funding available to match title IV-E dollars. States have to allocate state general revenue to provide the nonfederal share of IV-E maintenance payments; however, some IV-E allowable administrative and training activities can be cut back if the state is limited in its general revenue. Alternatively, if more state general revenue becomes available to the agency, there is an opportunity to increase those activities. Child welfare agencies might be given more state funding for a variety of reasons, including gubernatorial or legislative priorities around child welfare; litigation that changes the requirements around worker caseloads, sets a minimum amount of spending on the part of the state, and/or requires specific services be provided; or changes to other child welfare programs/activities that free up state dollars.

Looking at the national picture of title IV-E foster care spending masks the significant variation in spending across the states, especially within administrative spending. Administrative spending for foster care ranges substantially, extending from $303,000 to $491 million. When examining administrative spending relative to spending on maintenance payments, states varied from 3 cents spent on administration for every dollar of maintenance to as much as $7.59 on administration for every dollar of maintenance. Differences in both the amount of administrative spending and the ratio of administration to maintenance are seen among states that have similar caseloads, child poverty rates, and costs of living (table 3). In an attempt to better understand what influences administrative claiming, our stakeholder interviews focused heavily on what states are claiming to title IV-E

Table 3. Comparison of Administrative Spending

STATE	Foster care program (in millions)[a]	Maintenance payments ($ millions)[a]	Administration ($ millions)[a]	Penetration rate[a]	Administration to maintenance ratio[a]	In foster care September 30th, 2003[b]	Percent of poor children (2004)[c]
A	49.3	25.5	17.7	51–60%	0.70	7,469	20%
B	54.4	29.3	23.8	31–40%	0.81	13,578	18%
C	51.9	17.0	30.2	41–50%	1.77	11,900	17%
D	24.2	15.2	5.5	51–60%	0.36	9,194	17%
E	36.1	16.0	18.7	78%	1.17	9,381	17%
F	22.4	16.4	4.3	51–60%	0.26	9,487	20%
G	63.6	15.4	39.0	41–50%	2.54	9,213	17%

Sources: (a) Urban Institute 2005 Child Welfare Survey; (b) US DHHS 2005b; (c) NCCP 2004

administration and what factors may make their claims look different from other states with similar characteristics.

All of the states reported claiming standard activities to title IV-E, including staff time devoted to both foster care and adoption recruitment, licensing, case management, eligibility determination, staff development/training, SACWIS, and general administration and overhead. Other activities states mentioned included various court and attorney costs, some preplacement activities, and general administration for alternative response programs. Some states noted claiming title IV-E administration for staff time devoted to case management for candidates for foster care and/or unlicensed relative placements. Claiming for these populations increases the pool of children for which the state can recoup administrative expenses. Administrative claims for candidates for foster care are for children that are at serious risk of placement, have a case plan, and meet the title IV-E income eligibility criteria. Thus, the state cannot provide a title IV-E reimbursed maintenance payment to a child in this population, but may pull down title IV-E for administrative claims on their behalf. Administrative claiming for this population has been somewhat controversial because of conflicting policy directives from DHHS.[16]

While we cannot say definitively why we see such state variation in administrative spending, state administrators in the interviewed states offered several possible reasons why their state may look different than another state of similar size. Factors discussed included cost of living differences, various details related to their cost allocation plan, and the staffing and training necessary to claim all appropriate costs.

While differences in cost of living can help explain at least part of the range in the amount of spending, we found it did not speak to the variation in the ratio of administration to maintenance spending. When looking at the administrative spending of states within a region, where cost of living should be somewhat similar, we continue to see variation in the ratio of administration to maintenance spending.

What seems to be a more likely explanation for differences in the ratio of administration to maintenance spending is what is contained in each state's federally approved cost allocation plan. The plan details what activities states may claim to administration, who the states may claim those activities for, and how a state determines the breakdown of costs between the federal government and state government. Through the cost allocation plan, a state has the ability to broaden both the activities it is able to claim to administration as well as the population for which these activities are claimed. Interviews with state administrators revealed that states with a high proportion of IV-E spending relative to total federal spending have a tendency to push the envelope in their cost allocation plans. These states are not using other federal funds as extensively for administration (and therefore have a high proportion of title IV-E spending relative to total federal spending) because they are more aggressive in claiming title IV-E for administrative activities.

Finally, the ability of a state to appropriately claim the administrative activities they are allowed to claim to title IV-E also may affect the ratio of administration to maintenance spending. States use random moment time studies to determine how to appropriately claim a caseworker's time. Some states have identified flaws in this system that have affected their administrative claims, such as workers not describing accurately enough what they are working on or problems with the methodology of the time study. A few states discussed training initiatives to

educate their caseworkers on the random moment time studies to improve the state's administrative claiming. A state struggling to make appropriate claims to administration might have a lower ratio of administration to maintenance spending.

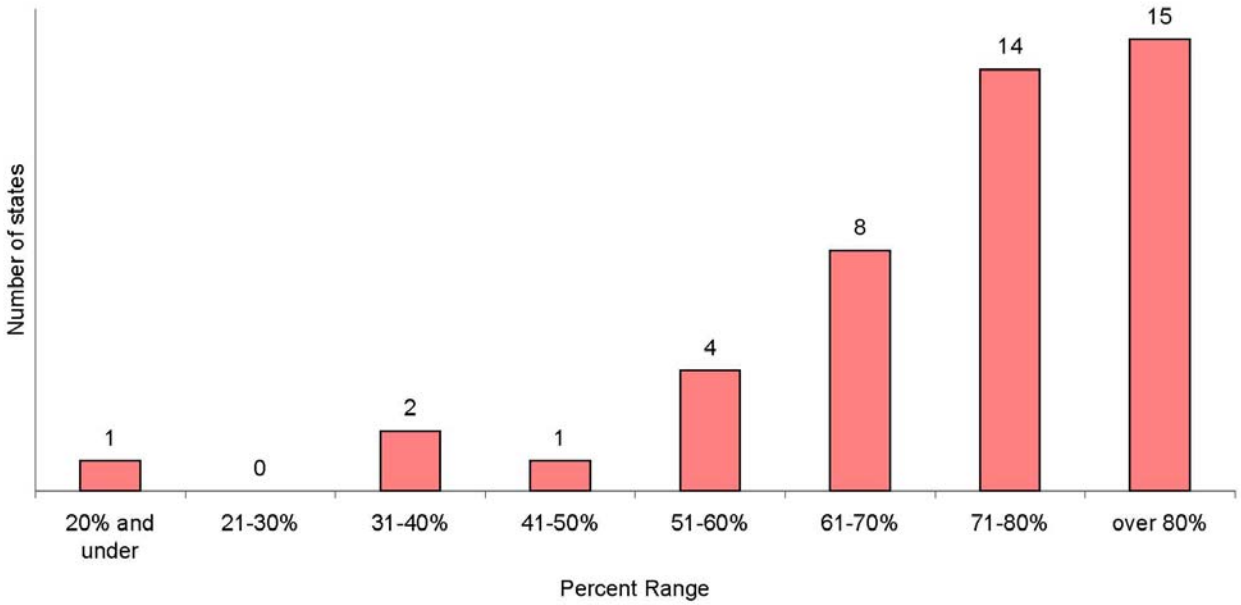
Adoption Assistance Program. States spent $1.5 billion on the Adoption Assistance Program in SFY 2004. Within the program, approximately $1.2 billion was spent on adoption subsidies and $287 million was spent on administration and training. Analysis of the 39 states that provided complete data indicates that title IV-E adoption spending increased 11 percent ($134 million) from SFY 2002; expenditures on adoption subsidies increased 15 percent, while expenditures on administration and training declined 3 percent.

As in previous years, the overall increase in adoption spending was expected, considering ASFA's mandate to states to move children into permanent placements. Nearly all states pointed to caseload growth as the impetus for increasing expenditures. As children move from foster care to adoption, their cost is shifted between the programs. In 2004, 17 states reported adoption subsidy expenditures that exceeded foster care maintenance expenditures. This number increased from SFY 2002, when 12 states reported adoption subsidy expenditures that exceeded foster care maintenance expenditures.

While adoption expenditures were expected to increase and are expected to increase for some time in the future, a decline in the number of children eligible for IV-E-reimbursed foster care maintenance payments will eventually affect the Adoption Assistance Program. Eligibility for a IV-E-reimbursed adoption subsidy is based on the state's definition of special needs and eligibility for a IV-E foster care maintenance payment or eligibility for SSI. As the number of children eligible for IV-E maintenance payments declines, if children are not SSI-eligible, the number of subsidies provided through the Adoption Assistance Program will eventually decline.

States were asked to estimate the percentage of children in adoptive placements receiving title IV-E-reimbursed

Figure 7. State Penetration Rates by Range for Adoption Subsidy Payments in SFY 2004



adoption subsidies in SFY 2004.[17] Forty-five states were able to provide the data for an average of 72 percent. An analysis of 39 states that provided complete information on their adoption penetration rate in SFYs 2002 and 2004 found that the penetration rate remained stable at 73 percent between the two years. Like the foster care penetration rates, states varied in their adoption penetration rates (figure 7). One state, Mississippi, reported a penetration rate of 20 percent, while 15 states reported rates over 80 percent. When asked about the most common reasons why children in adoptive placements are not eligible for title IV-E Adoption Assistance in their state, all of the interviewed administrators answered that the children did not meet the IV-E Foster Care eligibility requirement.

The decline in spending on adoption administration and training, while minor, was somewhat surprising. One possible explanation is that some of the adoption administration and training costs have already been affected by the decline in the number of children eligible for IV-E maintenance payments; some of the costs are shared between the Foster Care and the Adoption Assistance Programs and may be determined by combined foster care and adoption penetration rates. Another possible explanation could simply be that states did not report spending under the Adoption Assistance Program and instead combined it with foster care spending.

Chafee Foster Care Independence Program. States spent at least $138 million on the Chafee program—a 2 percent decline ($3 million) since SFY 2002, based on data from 46 states. The last round of the survey found that many states had implemented programs and were using all of the funding they were appropriated. One explanation for the small decline in spending may be a shift of education and training costs from the Chafee program to the Education and Training Voucher (ETV) program which received its first appropriation in FFY 2003. States spent nearly $24 million on the ETV program in SFY 2004. Another explanation for the small decline may be the technical aspects of the program. States are given a two-year window to spend their allocation, so the decrease might be because funds were spent in one year but not in another.

Title IV-B

Title IV-B funding is separated into two subparts: subpart 1, the Child Welfare Services Program, and subpart 2, Promoting Safe and Stable Families. Subpart 1, the more flexible of the two programs, provides grants to the states to prevent placement and reunify families, prevent abuse and neglect, and provide services to children in foster care or adoptive homes. Limited funds may be used for foster care maintenance payments, adoption assistance payments, and child day care. In 2004, $289 million was appropriated for this program. Subpart 2 funds activities within four specific areas: family preservation, community-based family support programs, time-limited family reunification services, and adoption promotion and support services. Promoting Safe and Stable Families was reauthorized in 2001, authorizing $305 million a year in mandatory appropriations and up to an additional $200 million per year in discretionary funds. In FFY 2004, $305 million in mandatory funds and $99 million in discretionary funds were appropriated to states for this program. The $99 million in discretionary funds was $29 million more than what was appropriated in FFY 2002.

In SFY 2004, states spent $639 million in total IV-B funds, of which $301 million was subpart 1 dollars and $338 million was subpart 2 dollars.[18] Total IV-B increased 14 percent ($75 million) from SFY 2002, according to data provided by 48 states. The median change was a 5 percent increase. In

addition, total IV-B expenditures have increased 39 percent ($167 million) since SFY 1996, based on analysis of 46 states.

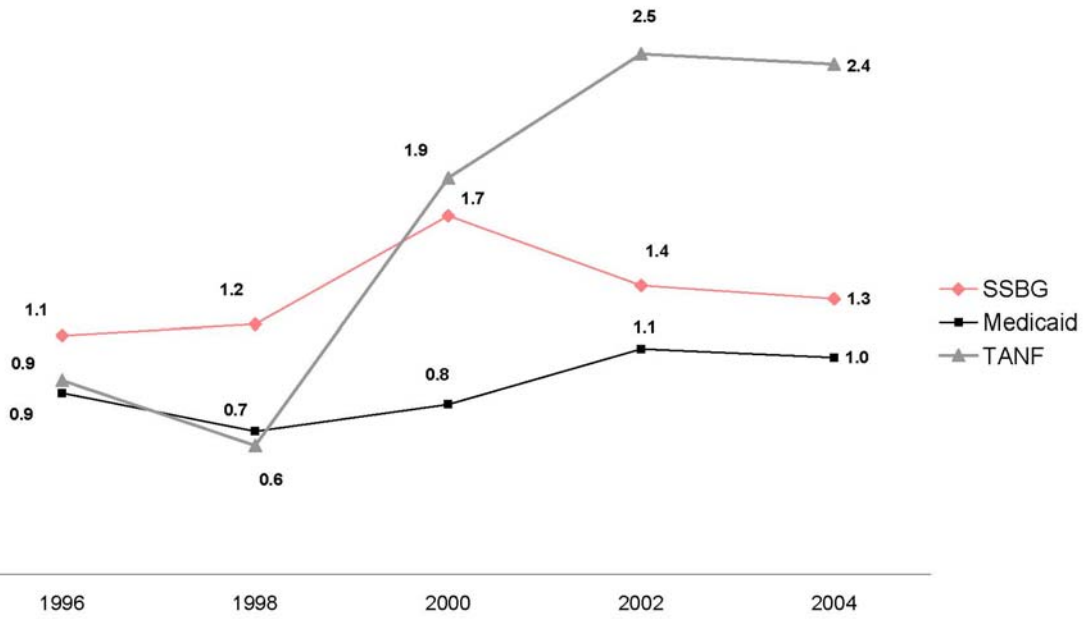
Subpart 1 spending increased 11 percent ($30 million) from SFY 2002 based on analysis of 47 states. Because the amount of subpart 1 funding appropriated in FFYs 2002 and 2004 did not change, the increase in subpart 1 spending can be attributed to technical aspects of the grant rather than an actual increase in spending. States are given a two-year window to spend their subpart 1 allocation, so an increase might be because funds are spent in one year but not in another. The $338 million in subpart 2 spending was an increase of 16 percent (46 million) since SFY 2002 based on data from 47 states. The increase in subpart 2 funding was the result of the increased appropriation of discretionary funds for the program.

Nondedicated Federal Funds

In addition to the federal funds dedicated for child welfare, many states rely on three funding streams (TANF, SSBG, and Medicaid) that are not targeted for child welfare activities to fund services for child welfare clients. The ability to use these funds for child welfare activities and the types of services that may be funded vary by the eligibility rules and guidelines of each program. States use these nondedicated funding streams for several reasons. Many states use TANF, SSBG, and Medicaid to pay for activities that are not allowable under title IV-E, including the board and care of children ineligible for title IV-E and therapeutic services for children in care. The choice to use a block grant for child welfare activities or to increase the use of block grant funds over entitlement funds is sometimes made because federal dollars are available and/or there is a lack of state funds available to draw down entitlement funds. Other states use dedicated funds first to finance child welfare activities, then use block grant funds to fill in the gaps.

In SFY 2004, states spent at least $4.8 billion from TANF, SSBG, and Medicaid combined, 2 percent ($97 million) less than in SFY 2002 based on 40 states (figure 8).[19]

Figure 8. Total SSBG, Medicaid, and TANF Spending: SFY 1996–2004 ($ billions)



Source: Urban Institute 1997, 1999, 2001, 2003, and 2005 Child Welfare Surveys
Notes: Totals for each year include data from all states that provided SSBG, Medicaid, and/or TANF spending and may not total reported combined spending due to rounding. Numbers are adjusted for inflation and presented in SFY 2004 dollars. SSBG includes TANF transfer.

The slight decline is due to a decrease in TANF spending on child welfare activities and a slower rate of growth in Medicaid spending. Although these funds accounted for 41 percent of all federal funds in SFY 2004, there is still great state variation in the use of these funds, ranging from 3 percent of all federal funds in Arkansas to 77 percent in Alabama. Combined, these funds accounted for more than half of all federal funds in 19 states.

Based on interviews with and written responses from state administrators over the last few rounds of the survey, we know that variation among states in the use of nondedicated federal funds exists for a number of reasons. First, not all child welfare agencies can access these funds—the state legislature may not appropriate the funds to the child welfare agency; there may not be an agreement between the child welfare and TANF agencies to transfer funds; the state plan may not incorporate child welfare services or activities; the state may choose to not use the funding for child welfare activities because of eligibility issues or the process/paperwork required to access the funds; or external political factors such as departmental relationships or outstanding issues with the federal regional offices around claiming may limit the use of such funds for child welfare purposes. Second, state budgets may provide a percentage of the funds to the child welfare agency, and the amount then fluctuates from year to year. Or, there is an agreement on the amount the child welfare agency will receive with no adjustment for changing needs from year to year. Third, the funds are not captured in our survey because some child welfare agencies may not access these funds directly, the state could not break out some of the funds from other spending, or these funds are identified as part of state funding.

It should be remembered that while some child welfare agencies do not have direct access to nondedicated federal funds to provide specific services, child welfare children and families may access some services through other systems. For example, child welfare agencies without direct access to Medicaid funds may still be able to access therapeutic services for children through their state's mental health system. Expenditures on such services are not captured in this survey.

TANF

TANF is a capped block grant program with no required state match, although states must spend their own funds to receive the grant.[20] Within certain guidelines,[21] states may fund various child welfare activities using TANF funds, including family reunification, parenting education, in-home, and crisis intervention services. States can also use TANF funds to support children that child welfare has removed from their parents' homes and placed with relative or kinship caregivers. States can also transfer up to 10 percent of their TANF grant to SSBG, which may in turn be used to support a broad range of child welfare activities.

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

foster care costs if this was in the state's approved AFDC plan.

Expenditures of TANF funds for child welfare activities have seen substantial changes since SFY 1996. The use of TANF funds for child welfare activities declined 24 percent between SFY 1996 and SFY 1998.[22] The decline was attributed to confusion among child welfare administrators around using TANF for child welfare purposes before the release of the TANF final rule in April 1999. Further, child welfare administrators identified a lack of confidence in using TANF funds for child welfare purposes for fear that the funds would not be available during an economic downturn (Bess et al. 2001). However, once the TANF final rule was released and the use of TANF funds for child welfare purposes was clarified, states began to use TANF funds. Between SFYs 1998 and 2000, TANF expenditures increased 135 percent.[23] Despite the recession, states continued to use TANF funds increasingly for child welfare activities between SFYs 2000 and 2002, increasing spending 25 percent.[24] It appeared that the use of unobligated TANF funds (what some states refer to as their TANF reserve) allowed states to support the growing TANF caseloads while maintaining TANF funding for nonassistance programs (Scarcella et al. 2004). Because TANF funds are not dedicated to child welfare activities and child welfare agencies must continually compete for these dollars, the use of these funds for child welfare activities is subject to availability. In SFY 2004, many states saw a decline in the use of TANF funds for child welfare activities.

In SFY 2004, states spent $2.4 billion in TANF funds on child welfare activities, not including funds transferred to SSBG.[25] This is a 3 percent ($67 million) decline from SFY 2002, based on analysis of 46 states. Of the 46 states, 6 reported spending $0 TANF dollars in both SFY 2002 and SFY 2004, and one state reported not using any TANF in SFY 2002 but using $301,000 in SFY 2004. Looking just at those states that utilized TANF in SFYs 2002 and 2004, the median change was a 2 percent decline. TANF spending decreased in 22 states ranging from 1 percent to a decline of 100 percent in Minnesota and New Hampshire.[26] Of the 16 states that saw an increase in TANF spending, eight saw increases of greater than 30 percent. One state had no change in TANF spending between SFYs 2002 and 2004. Overall, since SFY 1996, TANF spending increased 167 percent ($1.5 billion) based on analysis of 46 states. States' reliance on TANF funds as a percentage of all federal funds ranged from 0 percent in eight states to 51 percent in Connecticut.

In SFY 2004, states transferred at least $539 million in TANF funds to SSBG for child welfare purposes, based on data from 42 states. Including the TANF transfer, states spent at least $3.0 billion in TANF funds, a 1 percent decline ($13 million) from SFY 2002 based on data from 32 states.[27] The median change was an 8 percent decline. Between SFYs 1996 and 2004, TANF expenditures including the transfer increased 216 percent, or $2.0 billion, based on data available from 39 states.

Both interviewed stakeholders and administrators in written explanations for changes in the survey attributed the decline in TANF funds to lack of availability. In 2003, states continued to spend more TANF funds than they received in their block grants by using unspent funds carried over from prior years, thereby reducing their TANF reserve by one-third. Furthermore, state TANF caseloads are no longer seeing the substantial declines that occurred in the beginning of the program; caseloads have increased in some states (Greenberg and Rahmanou 2005). With declining TANF reserves, state TANF programs will have a

limited capacity to fund nonassistance activities.

Cuts in TANF funding for child welfare activities are forcing many states to reexamine the services they provide and other funding sources available. Administrators noted that they either have to find funding for TANF-funded programs elsewhere or reevaluate whether the program is necessary to the basic services the child welfare agency must provide. Administrators reported using TANF to fund new child welfare programs—largely prevention and early intervention services—as well as to sustain established programs and services. State funds are the most likely source of replacement funds for lost TANF dollars. Of the 23 states that experienced declines in TANF spending, 14 saw increases in their state dollars. While we cannot directly attribute an increase in state dollars to the decline in TANF funds, some states noted that they received state appropriations to cover partial TANF losses.

Limited availability of TANF funding is not the only access issue for child welfare agencies. State child welfare agencies operating under umbrella agencies that also contain other departments such as TANF and Medicaid may have an easier time accessing these nondedicated funding sources. As one child welfare administrator noted, having the directors of TANF and Medicaid in the same agency has allowed the child welfare agency to foster relationships and build a high level of communication and collaboration, particularly around funding. An administrator for a county-administered state observed that TANF utilization was more robust in counties with child welfare agencies that operated under an umbrella agency. Agencies that are not part of an umbrella agency often have to access TANF funding through the state budgetary process and legislative appropriations. Although TANF is a flexible funding source, not all child welfare agencies can use it for programs at their discretion. Some states require the child welfare agency to use their allotment for specific programs or services, as determined through the budgetary process.

It seems that the use of TANF funding by child welfare agencies is independent of the agency's use of title IV-E. States are not using TANF funds in an attempt to supplant state funding for the title IV-E match. While some states have used TANF to cover the first year in care for all children regardless of IV-E eligibility, administrators in the 10 interviewed states were clear that TANF funds were not currently being used to pay for foster care maintenance payments on behalf of IV-E-eligible children. A few states noted using TANF funds for maintenance payments under their EA program for children who are not eligible for title IV-E. States overwhelmingly reported that their use of TANF would not change if title IV-E were no longer an entitlement program.

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

SSBG

SSBG is a capped entitlement program with no required state match. States are given wide discretion to determine the services funded by SSBG and the eligible population.

Although title XX was created in 1975, it was a 1981 amendment that established the block grant to provide money to the states for social services (U.S. House of Representatives 2004). The program's initial entitlement ceiling of $2.9 billion in 1981 has continually been reduced and was set at $1.7 billion in 2004; the appropriation matched this ceiling in FFY 2004.

States use SSBG funds for various child welfare-related activities, including preventive, protective, and adoption services, and services for children in foster care. SSBG funds may also be used for room and board in cases of temporary emergency shelter provided in protective service cases. In addition to using these funds for child welfare-related activities, states use these funds for a wide range of services for the elderly and other special populations like the developmentally disabled. States usually allocate funds to the various programs by a formula or give programs a set dollar amount each year.

In SFY 2004, states spent $1.3 billion in SSBG funds on child welfare activities, a decline of 4 percent ($49 million) from SFY 2002 based on 48 states.[28] Two states reported not using any SSBG funding in SFYs 2002 and 2004. Looking only at states that used SSBG in SFYs 2002 and 2004, the median change was a decline of 4 percent. Of the 29 states reporting a decline in SSBG spending between SFYs 2002 and 2004, six reported declines greater than 30 percent. Reliance on SSBG funds ranged from 0 percent of all federal funds in Rhode Island and Nebraska to 32 percent in Massachusetts. The decline in SSBG spending was attributed to the decline in the amount of TANF funds being transferred to the program.

Total SSBG spending reported includes $539 million in transferred TANF funds. The decline in unobligated TANF funds has affected the total amount of TANF funds transferred to SSBG for all purposes (not just child welfare), which has continually declined since FFY 1999 (U.S. DHHS 2005c). Analysis of 34 states shows a 2 percent decline in TANF dollars transferred to SSBG for child welfare purposes from SFY 2002. When the TANF transfer is removed, approximately $772 million in pure SSBG funds was spent on child welfare activities in SFY 2004—a 7 percent increase ($27 million) from SFY 2002 based on 31 states. Because nine states were unable to provide the amount of TANF transferred to SSBG and used for child welfare purposes in SFY 2004, these figures overestimate pure SSBG funds.

As we found in SFY 2002, the increase in pure SSBG funds seems to be driven by 10 states, six of which saw increases over 40 percent; 19 states, however, experienced declines in pure SSBG spending between 1 and 67 percent. The median change was a decline of 6 percent. Between SFYs 1996 and 2004, SSBG spending declined 28 percent ($312 million) when the TANF transfer is removed based on 35 states. As the Congressional appropriation for SSBG has declined, some child welfare agencies have reevaluated their reliance on SSBG as a key source of funding for programs and have shifted toward using it to "fill in the gaps" where supplemental funding might be needed.[29]

Medicaid

States were also requested to provide Medicaid spending for which the child welfare agency paid the nonfederal match. We specifically requested states to exclude Medicaid expenditures for routine health care services provided to children in foster care.[30] States use Medicaid, an open-ended entitlement, to fund some medical services provided by the child welfare agency, its contracted providers, or other providers to children and families involved with the child

welfare system. These services include transportation, rehabilitative services, targeted case management, and therapeutic and psychiatric services provided in residential treatment facilities.

States are required to ensure that clients have transportation to and from service providers; this includes the use of ambulances and public transportation. Rehabilitative services are medical or remedial services provided for the reduction of a physical or mental disability, helping recipients reach a better functional level. These services may include behavior management services, day treatment services, family functioning interventions, etc. Through targeted case management (TCM) services, states may target a portion of their eligible Medicaid population to receive assistance in accessing necessary medical, social, educational, and other services. Psychiatric residential treatment facilities are necessary inpatient services provided by eligible providers to alleviate the mental health condition of children and youth under 21.

States spent at least $1.0 billion in Medicaid funds for child welfare clients in SFY 2004, 4 percent ($36 million) more than in SFY 2002 based on 41 states, with a median increase of 1 percent.[31] It should again be noted that the $1.0 billion we are reporting are the expenditures made directly by the child welfare agency to provide specific services for children in the child welfare system.

Although nationally Medicaid increased, there was a close split between states that saw increases and those that saw decreases. Of the 41 states providing Medicaid spending information, seven reported spending $0 Medicaid dollars in both SFY 2002 and SFY 2004 and one state reported not using any Medicaid in 2002 but using $1.8 million in SFY 2004 because of changes to their cost allocation formula. Looking just at the 33 states that utilized Medicaid in SFYs 2002 and 2004, the median change was a 2 percent decline. Medicaid spending decreased in 15 states, ranging from 6 percent to a decline of 100 percent in Arkansas.[32] Of the 17 states reporting an increase, six reported increases of 30 percent or more. One state reported no change in Medicaid spending between SFYs 2002 and 2004. Between SFYs 1996 and 2004, spending increased 41 percent ($286 million) based on data from 38 states.

States that experienced increases in Medicaid spending pointed to increasing expenses for therapeutic services for children in out-of-home care as a result of both a rising population in need of those services and rising costs. Additionally, states noted efforts to increase federal revenues, including ensuring that all eligible claims for targeted case management were filed when appropriate. For those children in more expensive, therapeutic settings, states sought to claim Medicaid under the rehabilitative option, if allowable. Those states with decreases noted reductions in their federal medical assistance percentage (FMAP), declines in the state's residential population (thereby reducing claims under the rehabilitative option), and challenges (or fear of) to claims by the Centers for Medicare and Medicaid Services (CMS), in some cases resulting in disallowances.

Reliance on Medicaid as a percentage of all federal funds varied, ranging from 0 percent in eight states to 62 percent in Rhode Island. Variation in Medicaid use exists for a number of reasons. First, some states do not have TCM or rehabilitative services for child welfare clients as an option in their state's Medicaid plan, therefore child welfare agencies cannot claim Medicaid for these costs. State administrators for those states without approved state plans noted reluctance to submit state plan amendments to use

Medicaid for these services. Other administrators reported submitting state plan amendments and being rejected. Second, in some states, Medicaid spending for child welfare–related activities is reported as zero dollars because the child welfare agency does not receive the funds directly or pay the state match. Finally, as mentioned earlier, the composition of states' caseloads varies. Some state administrators indicated that they are serving children with more physical, mental, and behavioral needs and are able to claim Medicaid for some services for these children.

Additional Federal Funds for Child Welfare

In addition to the dedicated and nondedicated federal funding streams for child welfare, we asked the states to report on other available federal funds, such as discretionary and state grants. Unlike past rounds of the survey, we asked states to include Title XVI Supplemental Security Income (SSI) and Title II Survivors Insurance Benefits spending in the other available federal funds section. We do not report separately on the numerous discretionary and state grants because of the inconsistency among the states in the use of these funds and their ability to report on these funds.

In SFY 2004, states spent $397 million in other federal funds, which represents a 3 percent increase ($13 million) from SFY 2002 based on data from 47 states.[33] The median was a 2 percent decrease. Spending increased by 45 percent ($101 million) between SFYs 1996 and 2004 based on 34 states. Many states see fluctuations in the amount of other federal funds they spend. This may be due to states' ability to access and use the different funds. Reliance on these funds varies from 0 percent in two states to more than 42 percent in Missouri. These federal funds (e.g., Child Abuse Prevention Treatment Act and Children's Justice Act grants) include grants provided by not only the Department of Health and Human Services, but also by the departments of Justice and Education.

State Spending

In SFY 2004, states spent $9.0 billion in state funds, a 6 percent ($465 million) increase from SFY 2002 based on data from 47 states.[34] The rate of growth for state funds exceeded the rate of growth for federal funds. The median change between SFYs 2002 and 2004 was a 5 percent increase. State spending declined in 18 states, ranging from 3 percent to 18 percent, while three states saw increases over 30 percent. One state saw no change in state spending between SFYs 2002 and 2004. State spending increased 21 percent ($1.5 billion) between SFY 1996 and SFY 2004 based on data from 45 states. The increase in state spending can be attributed to several factors, including required spending on child welfare activities, declining eligibility for title IV-E, shifting of expenditures from federal sources, increases in the costs of providing child welfare services, and continued increases in spending on adoption. Each of these factors is discussed further below.

States are subject to state and federal statutory or court-ordered requirements placed on child welfare agencies that define which children a state is expected to serve and what constitutes acceptable services. Some states noted litigation that specifically ordered particular services the child welfare agency must provide or a minimum level of staffing the agency must maintain. To meet the directives in the settlements, these states were given an increase in state funding. In addition, the federally required Child and Family Services Reviews (CFSRs) have led

to state Program Improvement Plans (PIPs) that develop approaches to enhance the areas the CFSRs identify as needing improvement. To fund these improvements, some states have allocated additional funding from their state general revenue, while others have reallocated resources (NCSL 2005). Furthermore, although states may be able to use a federal funding source to cover the costs of some of these required services, some federal funding sources have match or maintenance-of-effort requirements. Thus, states that see increases in federal title IV-E spending also have to see an increase in state spending to meet the nonfederal share requirement. Many of the states that saw increases in their title IV-E spending pointed to their increased state spending as the reason.

Second, state funding will continue to increase as the proportion of children eligible to receive title IV-E reimbursed foster care maintenance payments continues to decline. Unless the child is eligible for another federal program (e.g., SSI) or the state's AFDC plan allowed the use of EA funds for nonrelative foster care payments, the state and/or locality must cover all the costs associated with the maintenance payments for this child. In the 10 interviewed states, administrators overwhelmingly pointed to state and/or dollars when asked how the state pays for foster care maintenance payments on behalf of non-IV-E eligible children. A few administrators also felt that the costs associated with non-IV-E eligible children are higher than the costs associated with IV-E eligible children, because these children are likely to be older and in need of more intensive treatment. Therefore, they are likely to be placed in more expensive placements such as residential treatment centers.

Third, in the survey, several states noted shifting some of the expenses TANF funding previously covered to state funds as the availability of TANF funds for child welfare activities declined. If TANF funding available for child welfare activities continues to decline, states will have to decide which, if any, programs and services previously funded by TANF will be continued and how to finance these services. This may mean that the state has to find state dollars to cover the costs of the program and services, or if another federal source is found to cover the costs, the state may need to provide additional state funds for match requirements.

Finally, states noted increases in the costs of providing child welfare services as another factor for the increase in state spending. Some states reported increased caseloads and/or changing characteristics of their caseloads, such as a shift from traditional foster home placements to more expensive therapeutic or residential placements. Other states noted increasing their base rates for various placement settings and increasing caseworker salaries. Also, a number of states noted that ASFA's emphasis on adoption has required an increase in state money devoted to adoption issues, such as training, subsidies, and related administrative costs.

Local Spending

In SFY 2004, states reported that localities spent at least $2.5 billion in local funds on child welfare activities.[35] This is an increase of 10 percent ($241 million) from SFY 2002 based on 36 states with available data in both rounds. Change in local spending from year to year seems to be driven by the larger county-administered states. In SFY 2002, increases in California and New York drove the 15 percent increase in local spending from SFY 2000. This round of the survey, the increase in spending from SFY 2002 is a result of increases that occurred in

California, Ohio, and Pennsylvania.[36] When these three states are removed from the analysis, local spending did not change between SFYs 2002 and 2004. Spending increased 55 percent ($857 million) between SFY 1996 and SFY 2004 based on 37 states. Again, when you remove the large county-administered states (California, Ohio, and Pennsylvania), the rate of growth drops considerably to 10 percent ($163 million).

Reliance on local funding varies considerably among the states. Local spending constituted 12 percent of total spending nationally, ranged from 0 percent of total spending in 22 states to 62 percent in Indiana, and accounted for at least 20 percent or more of total spending in five states. States that are state-supervised but county-administered generally rely on local funding more heavily to finance their child welfare activities.[37] While this sometimes provides the county with more flexibility to devise a service plan that best meets the needs of their population, it also subjects child welfare funding to local revenue pressures and puts child welfare in competition with other locally funded systems, such as education, for local dollars.

Interviews with child welfare administrators and legislators found that states that require localities to bear some of the cost for child welfare activities often have a very specific structure for what that responsibility is, such as a set percentage of the nonfederal match and/or specific child welfare activities and programs. Furthermore, we found that the funding requirements (both whether or not localities have a funding responsibility as well as the nature of the local responsibility) were not subject to change when there were state fiscal pressures; that is, states did not typically increase local responsibility for child welfare funding when there were budget shortfalls. Part of this may be because local funding responsibility is often stipulated as part of state statute, restricting the ability of the states to make changes easily to accommodate budget pressures. Another reason may be because localities simply do not have the ability to provide more funding than they are currently required to provide.

Conclusions

- **Nationally, child welfare spending continued to increase through SFY 2004.** States spent $23.3 billion in federal, state, and local funds in SFY 2004. This is a 4 percent increase since SFY 2002 and a 40 percent increase since SFY 1996. While total child welfare spending increased nationally, 13 states saw a decline in total spending.
- **The increase in total spending was driven by increases in state and local spending.** While federal spending ($11.7 billion) remained stable between SFY 2002 and SFY 2004, state spending ($9.1 billion) increased 6 percent and local spending ($2.5 billion) increased 10 percent. The increase in local spending was due to increased spending in three large, county-administered states. Based on analysis of 47 states, federal spending accounted for 49 percent of total spending, state spending for 39 percent, and local spending for 12 percent.
- **Title IV-E Adoption Assistance spending continued to increase.** States spent $1.5 billion on the Adoption Assistance Program in SFY 2004. Analysis of the 39 states that provided complete data indicates that title IV-E adoption spending increased 11 percent ($134 million) from SFY 2002. Nearly all states pointed to caseload growth as the impetus for increasing expenditures.
- **States continue to struggle with title IV-E eligibility.** The average

penetration rate in SFY 2004 was 52 percent (based on 46 states). Between SFYs 2002 and 2004, the penetration rate in 11 states increased while the penetration rate in 22 states declined. Analysis of 36 states that provided information on their penetration rate for SFYs 2000, 2002, and 2004 shows the foster care penetration rate consistently declining, from 58 to 55 to 54 percent.

- **Variation in both the amount of title IV-E foster care administrative spending and the ratio of administration to maintenance payments exists among states that have similar caseloads, costs of living, and child poverty rates.** The variation seems to be due to differences in states' federally approved cost allocation plans and issues related to staffing and training necessary to claim all appropriate costs.
- **TANF and SSBG spending for child welfare activities declined.** In SFY 2004, states spent at least $4.8 billion from TANF, SSBG, and Medicaid combined, 2 percent ($97 million) less than in SFY 2002 based on 40 states. The slight decline is due to a decrease (3 percent) in TANF spending, a slower rate of growth (4 percent) in Medicaid spending, and a continued decline in SSBG spending (4 percent) on child welfare activities.
- **Local funding requirements were not changed when there were state fiscal pressures.** State administrators reported that states have not typically increased local responsibility for child welfare funding when there were budget shortfalls.

Discussion

This report is the fifth in a series analyzing states' financing of child welfare activities. To the extent possible, we have attempted to highlight significant changes or trends in child welfare financing and suggest why these changes have occurred. However, we have tried to stress in our series of reports how difficult it is to explain changes in financing over time.[38] The focus of this survey was to understand why we see such significant state variation in child welfare financing, with a particular emphasis on understanding and describing why some states rely more heavily on title IV-E than others. To do this, we attempted to conduct extensive phone interviews with several stakeholders in a purposive sample of states chosen based on factors we thought might influence the variation—title IV-E spending as a percentage of their total federal spending, with federal regional office and agency structure (e.g., state or county administered) considered as secondary factors. While we did find differences among the states that had high and low ratios of title IV-E spending to total federal spending, particularly around the use of nondedicated sources of funding (TANF, SSBG, and Medicaid), we did not find regional differences or agency structure as an explanation for variation. The reasons behind state variation in child welfare financing are discussed more extensively below.

Throughout the report we have documented differences across states in the types of federal funding sources used, and, to a lesser extent, how the funds are used for child welfare activities. We found several possible reasons that help explain why we see such state variation. While ultimately, the financing choices that states make are driven by the same thing—the provision of services state and federal statutes require—these choices are heavily influenced by the context in which they are made. Understanding the complex array of both state-specific and federal issues in which

states operate helps us understand why state financing strategies look so different.

By simple nature of the ratio of title IV-E spending to total federal spending, states that use nondedicated funding sources—TANF, SSBG, or Medicaid—for child welfare activities are going to have a lower IV-E ratio than those who do not use one or more of those funding sources. Because these funding sources are not dedicated for the child welfare population, the availability of these funds for the child welfare population is not guaranteed. State administrators in states with high IV-E ratios noted several reasons related to access of nondedicated funds for why their state was not using one or more of those funding streams: the state legislature may not appropriate the funds to the child welfare agency; the state plan may not incorporate child welfare services or activities; the state may choose to not use the funding for child welfare activities because of eligibility issues or the process/paperwork required to access the funds; or external political factors such as departmental relationships or outstanding issues with the federal regional offices around claiming may limit the use of such funds for child welfare purposes. Conversely, states with a low ratio of title IV-E to total federal spending often had the ability to claim Medicaid for TCM or rehabilitative services in their state plans and/or had access to TANF funding for child welfare activities.

There is also some state variation in how states use individual funding streams, that is, what they use the funding for. Trying to understand the differences in how states use individual funding streams often leads to a discussion about maximization strategies. While some would equate maximization efforts by child welfare agencies as an attempt to access more federal funding and reduce the state responsibility, interviewed administrators noted that the purpose of many state maximization efforts is to efficiently use all of the funding sources available to provide the required level of services. State child welfare agencies operate from budget cycle to budget cycle with the risk of decreased appropriations and cuts to both federal and state funding sources. By knowing and using the options available to them, agencies are trying to maintain services.

Looking at the "big picture" of states' overall financing strategies and legal or political factors helps us understand how states can look so different. Child welfare agencies make budget decisions under the constraints of the types and amount of funding sources that are available to them and how they can best use those funding sources to provide services to the unique population they serve. The larger budget decisions, particularly around the amounts of nondedicated and state funds available to the child welfare agency, are made at the gubernatorial and legislative level. At this level, both the governor and legislature have to compare the child welfare agency's needs to other departments and agencies in the state. TANF and SSBG funding can be used for many different populations, and the needs of each of those populations should be considered when allocating those funding streams. For example, if more TANF funding is needed for cash assistance, the legislature may cut TANF funding for the child welfare agency. Likewise, Medicaid funding is subject to its own agency budget constraints. And finally, there may be other overarching background issues that play into the budget decisions at the state level, such as litigation that dictates services and/or spending, state and/or local budget crises, and emphasis on other policy priorities and issues (such as education).

When considering all the factors that affect states' abilities to access various funding streams, how they use those funds,

and the context in which those decisions are made, it is not surprising that states vary so substantially in their child welfare financing. Ultimately, states have appeared to build financing strategies that work best for them under the current system. However, since this survey was conducted, there have been several changes to federal funding sources used for child welfare activities. The Deficit Reduction Act of 2005, passed in February 2006, made several changes to federal funding sources used by child welfare agencies (Stoltzfus 2006). The bill restricted the states' ability to make title IV-E administrative claims on behalf of children in unlicensed relative homes and other settings where a child is ineligible to receive title IV-E maintenance payments. It also clarified basic foster care eligibility in a manner designed to overturn a Ninth Circuit Court of Appeals decision that has allowed somewhat broader IV-E eligibility criteria for foster children in states under the jurisdiction of the Ninth Circuit. Both changes are expected to slow the rate of federal foster care spending under Title IV-E. The bill also sought to clarify when states may claim Medicaid targeted case management for children in foster care, and the Congressional Budget Office believes the changes will reduce the ability of child welfare agencies to use Medicaid funds for foster care children. Finally, the Deficit Reduction Act (P.L 109-171) increased the mandatory funding authorization level for title IV-B subpart 2 by $40 million (FFY 2006 only) and provides $20 million each year in FFY 2006 through FFY 2010 for new grants to help courts improve their handling of child welfare cases. States' financing strategies will likely alter once these changes, combined with the uncertain availability of TANF funds at the state level for child welfare activities, go into effect. And as this report highlights, these changes are likely to affect each state differently.

Notes

1. Thirty-eight states reported both screened-in and screened-out referrals for abuse or neglect involving 2,043,523 children. An overall national estimate of 3 million referrals was calculated by multiplying the national referral rate (42.6) by the population for all 51 states (73,277,998) and then rounding that estimate to 3 million referrals (U.S. Department of Health and Human Services [U.S. DHHS] 2006).
2. By dedicated, we mean funding streams created primarily for child welfare activities.
3. The Promoting Safe and Stable Families Amendments of 2001 also authorized additional funding for *Mentoring Children of Prisoners*, a new program under title IV-B subpart 2. Funding for this program is separate from the Promoting Safe and Stable Families funding. Initial funding for the program began in FFY 2003, and in FFY 2004, nearly $50 million was allotted for the program. The Keeping Children and Families Safe Act of 2003 reauthorized the Child Abuse Prevention and Treatment Act (CAPTA) state grants and included several new programmatic requirements designed to promote interagency collaboration across public and private service systems. In 2004, CAPTA allotments to the states totaled approximately $22 million. Because these programs are not significant funding sources, we do not report on them separately.
4. PRWORA also removed the restriction on the use of title IV-E funds for for-profit institutions, thereby allowing states to use IV-E funds for eligible children placed in for-profit institutions.
5. Congress provided additional funds in 1998, 1999, and 2000 that exceeded the $20 million level to guarantee that states received their full incentive earnings. In 2004, Congress appropriated $35 million; however, total state incentive earnings were less than $20 million.
6. The original amount published was $14.4 billion, but states adjusted their SFY 1996 data during later rounds.
7. The original amount published was $15.6 billion, but states adjusted their SFY 1998 data during later rounds.
8. The original amount published was $20 billion, but states adjusted their SFY 2000 data during later rounds.
9. Forty-seven states provided data for federal, state, and local funds. Five states unable to provide local expenditures were included in this analysis because they are state-administered and the amount of spending from local sources is assumed to be minimal in this type of structure. In SFYs 1996, 1998, 2000, and 2002, federal spending accounted for 46, 47, 50,

and 50 percent of total spending based on analyses of 47, 45, 50, and 49 states, respectively.

10. Includes TANF funds transferred to SSBG.

11. Includes SSI and Survivor's Benefits.

12. Special needs children must be AFDC- or SSI-eligible to qualify for federally matched adoption assistance payments. Section 473(c)(2) of the Social Security Act defines a special needs child as a child with "a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance under this section or medical assistance under title XIX." States have discretion in defining special needs (e.g., may include religion) and determining eligibility.

13. South Carolina and Maine were unable to provide SFY 2004 data; the data presented are based on the states' claims to HHS. Total title IV-E expenditures are based on data from 49 states and HHS data for South Carolina and Maine. Title IV-E expenditures on the Foster Care Program are based on data from 48 states and HHS data from South Carolina and Maine. Title IV-E expenditures on the Adoption Assistance Program are based on 46 states and HHS data for South Carolina and Maine. Title IV-E expenditures on the Chafee Foster Care Independence Program are based on 49 states and HHS data for South Carolina and Maine.

14. States were asked to provide either a point estimate or range for their penetration rate. A state was considered to show a clear increase in penetration rates if (a) it provided point estimates for both years and the point estimate increased; (b) it provided ranges for both years and the SFY 2004 range was a higher range than provided in SFY 2002; or (c) it provided a combination of point estimate and range for the two years and the SFY 2004 estimate was either a higher range than the SFY 2002 point estimate or a higher point estimate than the SFY 2002 range. The converse applied to determine decreases in penetration rates.

15. Nationally, the number of children in care on the last day of the federal fiscal year (September 30th) declined from 552,000 in FFY 2000 to 518,000 in FFY 2004 (U.S. DHHS 2005a). However, individual state caseload data indicate that 27 states experienced increases in the number of children in care as of September 30th between FFYs 2002 and 2003 (U.S. DHHS 2005b).

16. A 1993 DHHS memorandum permitted claims for candidates for foster care asserting that the child may be moved to an eligible setting; however, DHHS has since argued that the memorandum was too broadly interpreted by states and has moved to restrict such claims with the January 2005 Notice of Proposed Rule-Making (Stoltzfus 2006). The Deficit Reduction Omnibus Reconciliation Act of 2005 passed in February 2006 enacted restrictions on states use of title IV-E administration for candidates for foster care and other children in ineligible settings.

17. Some children that are not adopted from the foster care system are eligible to receive title IV-E adoption subsidies.

18. Total title IV-B expenditures are based on data from 51 states. South Carolina and Maine were unable to provide SFY 2004 data, but the states' allocations were included. South Dakota provided only total title IV-B spending and was unable to separate spending by subpart.

19. TANF, SSBG, and Medicaid spending figures provided in figure 8 are based on all states that provided data during that round of the survey, while changes in the funding sources between state fiscal years are based on a subset of states that provided complete information during those rounds of the survey. This is especially evident with Medicaid spending—when looking at all states that provided the data in SFYs 2002 and 2004, Medicaid spending appears to have declined, but when you restrict the analysis to only the states that provided complete Medicaid spending in both SFY 2002 and SFY 2004 (41 states), we find that Medicaid increased by 4 percent.

20. States must spend at least 75 percent of what they spent in fiscal year 1994 to meet the maintenance of effort (MOE) requirement; they must spend 80 percent if they do not meet the work requirements.

21. Activities must meet one of the four purposes of the TANF program or have been in the state's approved AFDC plan as in effect on September 30, 1995, or August 16, 1996. The four purposes of the TANF program are to "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families" (Section 401(a) of the Social Security Act).

22. The original change published was 47 percent, but states adjusted their SFY 1996 and SFY 1998 data during later rounds of the survey.

23. The original change published was 168 percent, but states adjusted their SFY 1998 and SFY 2000 data during later rounds of the survey.

24. The original change published was 26 percent, but states adjusted their SFY 2000 and SFY 2002 data during later rounds of the survey.

25. Total TANF expenditures are based on data from 48 states. Maine and South Carolina were unable to

provide SFY 2004 data; Hawaii was unable to provide TANF expenditures.

26. Minnesota reported that TANF funding was consolidated into their state social service block grants to counties as the reason for the TANF decline, and New Hampshire noted that the state legislature decided not to use any TANF funds to support child welfare activities in SFY 2004.

27. In SFY 2002, 15 states were unable to provide the amount of TANF funds transferred to SSBG.

28. Total SSBG expenditures are based on data from 49 states. South Carolina and Maine were unable to provide SFY 2004 data.

29. In FFY 1996, Congress appropriated $2.381 billion to SSBG. There was a slight increase in the appropriation in FFY 1997 when $2.5 billion was appropriated, but the appropriation declined in FFY 1998 to $2.299 billion. The appropriation continually declined since FFY 1998 to $1.7 billion in FFY 2002, where it remained through FFY 2004.

30. A 2005 Urban Institute brief found total Medicaid spending on foster children to be approximately $3.8 billion in FFY 2001 (Geen, Sommers, Cohen 2005). This includes spending on all services and activities, including routine health care services, whether through public or private agencies.

31. Total Medicaid expenditures are based on data from 42 states. California, Ohio, and Maryland provided Medicaid expenditures for claims associated with specific non–medically necessary case management activities performed by child welfare that are claimed as an administrative cost and not as a service cost. Because these expenditures did not fall into our definition of Medicaid expenditures (see table 1), we excluded those expenditures from this and prior rounds.

32. Arkansas reported moving away from the use of Medicaid for TCM and rehabilitative services for child welfare activities as the reason for the decline.

33. Total other federal fund expenditures are based on data from 48 states.

34. Total state spending is based on data from 51 states. South Carolina and Maine were unable to provide SFY 2004 data; the data presented represent the corresponding state match for titles IV-E and IV-B expenditures.

35. Total local expenditures are based on data from 42 states. Most states were unable to provide data on local spending because local governments typically are not required to report their spending to the state (except when the locality is required to match funding). The total reported here, therefore, underestimates the spending incurred by local governments. Many localities may use their own funds to supplement state and federal funds.

36. New York was unable to provide local expenditures.

37. California, Colorado, Minnesota, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Virginia, and Wisconsin are state-supervised, county-administered child welfare systems.

38. In some instances, we are uncertain whether the changes we observed are "real" or simply a result of changes in states' reporting methods or analysis. We have attempted to identify such instances in this report.

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Appendices

Appendix A: SFY 2004 State-by-State Data

State	Total spending	Change from SFY 2002	Federal spending	Change from SFY 2002	Title IV-E	Change from SFY 2002	Title IV-B[a]	Change from SFY 2002	TANF[b]	Change from SFY 2002
Alabama	278,097,807	-1.69%	173,519,692	-4.86%	26,229,302	-18.80%	12,532,805	3.80%	21,911,313	-1.07%
Alaska	85,368,304	-0.20%	37,786,604	16.38%	20,441,777	33.23%	1,081,499	-10.85%	0	0.00%
Arizona	322,184,769	17.72%	201,876,169	21.84%	74,748,469	26.26%	8,875,900	-30.00%	56,416,100	35.54%
Arkansas	98,705,298	39.56%	61,135,611	30.32%	44,609,262	21.91%	14,227,819	149.02%	1,366,053	-22.73%
California	4,328,207,000	5.73%	1,858,513,000	1.40%	1,327,912,000	0.40%	90,094,000	15.38%	244,243,000	-0.38%
Colorado	451,511,097	-9.02%	151,791,868	-1.21%	74,454,499	8.67%	7,127,024	8.25%	0	0.00%
Connecticut	348,824,308		245,436,600		96,042,293		5,559,473		124,752,830	
Delaware	49,474,343	-7.39%	16,166,047	-24.36%	9,097,600	-34.47%	1,524,379	-0.41%	300,549	
D.C.	229,968,546	1.40%	89,703,493	11.82%	36,613,462	-9.10%	1,853,505	-4.26%	4,500,000	-60.66%
Florida	896,972,828	12.58%	485,593,314	6.90%	175,608,868	-7.82%	32,337,680	-10.91%	166,212,744	16.15%
Georgia	441,987,629	10.18%	282,945,598	18.21%	91,947,334	0.59%	21,485,034	38.66%	88,903,694	92.36%
Hawaii	94,984,135	13.56%	40,690,441	5.66%	26,192,479	0.32%	3,010,544	28.07%	---	
Idaho	59,274,405	14.48%	36,971,405	21.99%	11,318,800	29.94%	3,109,000	25.00%	9,975,900	27.40%
Illinois	1,243,211,566	-12.96%	680,009,045	-11.45%	386,833,674	-5.16%	33,182,358	13.72%	172,234,729	-1.16%
Indiana	405,393,440	1.57%	109,234,432	-3.40%	65,446,317	-3.29%	13,728,633	46.13%	11,374,724	13.23%
Iowa	324,807,686	-1.59%	162,778,912	10.83%	52,110,783	11.67%	4,740,085	-8.31%	31,063,001	29.82%
Kansas	229,779,303	11.31%	119,978,058	13.06%	43,080,255	8.03%	4,922,284	0.51%	29,548,140	-5.10%
Kentucky	367,994,212	6.59%	133,189,846	0.65%	68,288,065	-2.08%	11,670,656	10.26%	30,400,986	3.47%
Louisiana	215,250,308	0.86%	132,601,784	5.05%	69,271,363	13.31%	15,817,825	22.33%	81,390	-84.55%
Maine	41,723,996		26,709,622		23,805,559		2,904,063		---	
Maryland	438,887,488	-0.05%	146,582,795	-28.50%	103,862,359	-19.50%	10,445,332	42.04%	617,053	-98.28%
Massachusetts	658,817,795	-0.22%	259,191,522	-0.17%	103,284,500	10.61%	9,601,248	25.39%	0	0.00%
Michigan	809,789,367	2.32%	504,604,730	4.21%	227,646,231	-9.77%	22,222,912	-10.63%	204,695,653	36.53%
Minnesota	563,624,754	-7.45%	217,452,533	-7.83%	90,080,783	-7.20%	8,214,546	-2.00%	0	-100.00%
Mississippi	83,187,283	40.58%	63,943,149	78.68%	16,004,185	3.14%	14,017,960	125.37%	16,300,086	456.56%
Missouri	528,143,059	4.22%	305,431,064	-2.97%	81,865,331	-8.03%	15,276,399	13.93%	19,426,302	-29.88%
Montana	46,020,588	-1.06%	23,864,816	5.43%	14,368,121	-1.93%	1,759,608	-7.65%	3,655,042	32.62%
Nebraska	166,017,977	10.90%	76,809,632	16.45%	24,944,142		3,636,764	-2.60%	0	0.00%
Nevada	79,271,463	-2.57%	44,013,245	-1.01%	21,610,292	7.68%	2,908,441	-17.27%	3,163,479	-2.64%
New Hampshire	88,587,041	7.04%	36,766,930	3.47%	17,563,117	39.49%	1,881,239	-1.33%	0	-100.00%
New Jersey	507,810,949	6.06%	171,649,949	-12.95%	89,727,031	-1.29%	12,228,862	-13.05%	11,877,000	36.93%
New Mexico	93,287,365	16.08%	51,794,865	13.54%	26,245,765	-0.39%	5,401,000	23.74%	2,000,000	248.98%
New York	2,067,066,079		1,361,188,358	-5.58%	674,125,375	2.65%	14,842,658	0.30%	427,325,000	-20.28%
North Carolina	368,145,619	5.97%	193,772,277	-0.86%	76,330,930	4.35%	15,381,353	20.37%	92,652,037	-7.10%
North Dakota	44,869,152	-5.44%	32,402,893	-3.75%	13,385,360	-7.51%	808,578	-5.98%	9,660,078	-15.43%
Ohio	931,897,411	4.33%	402,942,509	-9.55%	341,356,847	-13.28%	27,043,994	55.53%	8,196,357	-68.07%
Oklahoma	203,121,755	0.11%	129,862,389	-0.29%	41,826,872	-15.33%	8,607,304	33.44%	16,637,030	22.55%
Oregon	323,589,392	20.06%	217,293,277	19.55%	61,470,469	16.36%	5,138,315	-12.85%	49,264,978	8.80%
Pennsylvania	1,702,795,124	27.78%	736,980,525	15.26%	409,953,635	23.43%	25,152,178	11.80%	289,939,826	7.01%
Rhode Island	194,549,091	12.06%	88,803,537	9.36%	20,414,584	-0.77%	2,546,216	-10.33%	7,957,954	-4.41%
South Carolina	61,841,677		42,926,730		31,655,612		11,271,118		---	
South Dakota	48,147,301	17.38%	30,898,454	27.74%	8,312,562	12.01%	747,010	-25.65%	9,812,703	105.09%
Tennessee	451,524,310	1.93%	190,166,931	-2.39%	36,602,382	-8.10%	25,360,164	182.99%	0	0.00%
Texas	836,728,011	-0.95%	559,992,577	1.15%	189,812,868	13.77%	57,153,810	-6.16%	204,626,806	-10.01%
Utah	127,707,298	1.70%	68,028,903	13.10%	26,731,868	4.05%	5,375,363	10.04%	0	0.00%
Vermont	78,159,179	10.15%	46,992,240	0.75%	21,194,337	-1.42%	1,601,608	13.66%	3,564,784	-3.85%
Virginia	277,983,054	-20.22%	157,875,462	-30.44%	105,293,993	41.97%	12,319,810	32.66%	5,036,869	
Washington	432,948,513	5.00%	206,085,394	4.93%	91,044,546	32.37%	11,556,549	-0.14%	17,814,734	-2.23%
West Virginia	137,724,395	-14.26%	60,843,436	-34.66%	36,418,247	6.95%	6,195,597	6.59%	1,935,524	-94.94%
Wisconsin	384,937,354	7.39%	177,071,183	9.74%	119,227,434	13.41%	9,977,847	1.99%	28,701,917	-1.52%
Wyoming	27,281,167	-12.81%	9,349,158	-41.16%	3,137,696	-21.14%	930,158	-17.02%	1,909,103	-56.33%
U.S. Total	**23,278,181,991**	**4.17%**	**11,662,213,004**	**0.07%**	**5,849,549,635**	**1.68%**	**639,388,507**	**13.86%**	**2,430,055,468**	**-2.82%**
		n = 47		n = 48		n = 47		n = 48		n = 46

Source: 2003 and 2005 Urban Institute Child Welfare Surveys

0 = state does not use funding stream; --- = state uses funding stream but could not provide data.

Notes: U.S. spending totals are based on data from all 51 states. Changes are adjusted for inflation and based on sample sizes noted. Percent changes left blank could not be calculated because of missing or incomplete data or because the state did not use the funding source in SFY 2002 or SFY 2004.

a. Title IV-B represents subparts 1 and 2 combined.

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

Limitations: South Carolina and Maine were unable to provide SFY 2004 data; the data presented were taken from HHS with the corresponding state match. Connecticut did not provide SFY 2002 data. Title IV-E funds reported by Nebraska for SFY 2002 were not actual expenditures. Virginia overstated SFY 2002 TANF data. Wisconsin included some local spending with state spending in SFY 2002 and SFY 2004. New York was unable to provide local expenditures in SFY 2004.

Appendix A: SFY 2004 State-by-State Data (continued)

State	SSBG	Change from SFY 2002	Medicaid	Change from SFY 2002	Other federal	Change from SFY 2002	State spending	Change from SFY 2002	Local spending	Change from SFY 2002
Alabama	32,843,811	-10.39%	78,993,219	0.61%	1,009,242	45.02%	102,833,280	4.03%	1,744,835	6.33%
Alaska	7,042,600	-18.00%	7,008,813	20.60%	2,211,915	46.32%	47,581,700	-10.34%	0	
Arizona	40,696,000	-18.30%	---		21,139,700	791.54%	120,308,600	11.39%	0	
Arkansas	400,027	-80.64%	0	-100.00%	532,450	-19.40%	37,569,687	57.78%	0	
California	184,938,000	9.99%	0	0.00%	11,326,000	-39.80%	1,422,736,000	7.31%	1,046,958,000	11.98%
Colorado	34,794,383	-7.05%	33,948,261	-14.43%	1,467,701	1.39%	245,718,591	-9.55%	54,000,638	-23.93%
Connecticut	3,209,614		13,195,967		2,676,423		103,387,708		0	
Delaware	2,488,713	-8.87%	221,978	-16.95%	2,532,828	-4.85%	33,308,296	3.92%	0	
D.C.	535,485	-6.35%	43,711,475	78.13%	2,489,566	70.61%	140,265,053	-4.30%	---	
Florida	88,230,534	33.12%	1,297,832	-68.64%	21,905,656	57.32%	404,417,285	18.28%	6,962,229	1089.83%
Georgia	24,300,629	4.65%	53,325,538	-5.57%	2,983,369	-54.39%	153,648,341	-3.80%	5,393,690	159.54%
Hawaii	7,290,443	6.60%	---		1,082,654	-4.24%	54,293,694	20.30%	---	
Idaho	10,880,300	8.36%	476,100	-26.55%	1,211,305	105.53%	22,303,000	3.88%	0	
Illinois	43,552,950	-52.78%	23,133,035	-38.79%	21,072,299	-20.82%	563,202,521	-14.72%	0	0.00%
Indiana	8,496,393	-42.35%	---		10,188,365	-9.21%	45,246,640	138.71%	250,912,368	-6.05%
Iowa	17,214,525	-3.85%	53,752,906	9.17%	3,897,612	-1.77%	162,028,774	-11.55%	0	
Kansas	7,047,042	18.81%	34,636,020	45.03%	744,317	90.46%	109,801,245	9.46%	---	
Kentucky	15,824,420	-2.00%	0	0.00%	7,005,719	8.07%	234,804,366	10.29%	0	0.00%
Louisiana	40,094,234	-11.57%	0	0.00%	7,336,972	16.64%	82,648,524	-5.22%	0	0.00%
Maine	---		---		---		15,014,374		---	
Maryland	30,816,118	-3.66%	0	0.00%	841,933	-2.52%	277,023,287	29.10%	15,281,406	-21.69%
Massachusetts	82,910,520	-4.56%	57,521,703	-8.85%	5,873,551	-31.85%	399,626,273	-0.24%	0	0.00%
Michigan	42,992,141	-11.60%	---		7,047,793	-17.18%	266,811,906	-2.92%	38,372,731	18.51%
Minnesota	20,135,216	-5.19%	55,443,682	-22.87%	43,578,306	33.99%	83,304,783	-18.22%	262,867,438	-3.08%
Mississippi	16,894,651	57.76%	---		726,267	75.93%	18,327,252	-16.30%	916,882	-38.48%
Missouri	25,748,485	-3.85%	34,686,473	8.60%	128,428,074	1.97%	222,604,533	16.05%	107,462	-36.38%
Montana	1,992,799	36.87%	1,710,578		378,668	-79.71%	22,155,772	-7.21%	0	
Nebraska	0	0.00%	45,246,098	44.58%	2,982,627	47.46%	89,208,345	6.52%	0	0.00%
Nevada	3,686,487	-3.85%	8,148,544	-23.52%	4,496,002	43.12%	35,258,218	-4.45%	---	
New Hampshire	2,325,340	-17.96%	12,740,293	12.05%	2,256,941	36.51%	40,807,673	7.29%	11,012,438	19.79%
New Jersey	21,120,000	-57.62%	31,426,000	5.98%	5,271,056	29.99%	336,161,000	19.37%	0	0.00%
New Mexico	10,022,700	156.25%	8,125,400	-5.59%	0	-100.00%	41,492,500	19.41%	0	0.00%
New York	241,000,000	4.38%	0	0.00%	3,895,325	20.82%	705,877,721	-3.60%	---	
North Carolina	6,548,149	-14.39%	110,310	-59.06%	2,749,498	46.33%	69,057,696	11.13%	105,315,646	17.25%
North Dakota	1,559,597	-0.56%	6,989,280	30.82%	0	0.00%	9,617,789	-6.96%	2,848,470	-17.33%
Ohio	25,493,296	264.94%	0	0.00%	852,015	-53.12%	121,632,848	14.34%	407,322,054	19.33%
Oklahoma	23,339,299	5.91%	31,993,821	5.85%	7,458,063	-12.79%	73,259,366	0.82%	0	0.00%
Oregon	18,630,505	42.13%	77,203,620	34.30%	5,585,390	-22.07%	97,535,389	18.56%	8,760,726	59.80%
Pennsylvania	11,415,699	9.33%	519,187	-84.76%	---		700,526,686	42.76%	265,287,913	31.06%
Rhode Island	0	0.00%	54,924,643	27.73%	2,960,140	-54.22%	105,745,554	14.43%	0	0.00%
South Carolina	---		---		---		18,914,947		---	
South Dakota	6,267,903	21.66%	4,076,470	-0.37%	1,681,806	-3.06%	17,248,847	2.48%	---	
Tennessee	27,351,925	-14.92%	93,667,660	-12.53%	7,184,800	5.54%	261,357,379	5.32%	0	0.00%
Texas	3,129,014	-31.08%	79,586,168	11.32%	25,683,911	14.20%	266,052,861	-5.61%	10,682,573	15.85%
Utah	12,115,600	58.20%	22,176,878	12.63%	1,629,194	-26.84%	59,160,568	-8.82%	517,827	-3.85%
Vermont	5,471,134	-8.26%	14,260,556	9.13%	899,821	-9.60%	31,166,939	28.18%	0	0.00%
Virginia	34,311,356	-30.51%	0	0.00%	913,434	-8.28%	70,872,117	-12.98%	49,235,475	23.04%
Washington	38,471,999	-2.25%	37,874,145	-8.10%	9,323,422	-46.01%	226,863,119	5.07%	0	0.00%
West Virginia	16,127,561	10.21%	---		166,507	-57.50%	76,880,959	13.89%	0	0.00%
Wisconsin	8,248,260	-13.79%	10,331,449	42.18%	584,276	24.32%	207,866,171		---	
Wyoming	2,919,410	-8.04%	---		452,791	-29.77%	17,932,009	16.43%	0	0.00%
U.S. Total	**1,310,925,267**	**-3.63%**	**1,032,464,102**	**3.67%**	**396,715,704**	**3.33%**	**9,071,468,186**	**5.63%**	**2,544,500,801**	**14.95%**
		n = 48		n = 41		n = 47		n = 47		n = 36

Appendix B: SFY 2004 State-by-State Title IV-E Spending

State	Total Title IV-E	Change from SFY 2002	Foster Care Program	Change from SFY 2002	Foster care maintenance payments	Change from SFY 2002	Foster care administration/ training/ SACWIS	Combined change from SFY 2002	Adoption Assistance Program	Change from SFY 2002
Alabama	26,229,302	-18.80%	18,657,022	-29.81%	5,337,269	-18.29%	13,319,753	-33.56%	6,076,531	36.32%
Alaska	20,441,777	33.23%	13,161,567	44.41%	1,173,871	-23.62%	11,987,696	58.21%	6,780,500	18.30%
Arizona	74,748,469	26.26%	49,309,157	27.67%	25,499,526	37.97%	23,809,631	18.21%	22,715,568	21.05%
Arkansas	44,609,262	21.91%	35,675,474	23.91%	10,784,415	15.93%	24,891,059	27.72%	8,300,330	16.83%
California	1,327,912,000	0.40%	1,029,838,000		465,987,000		563,851,000		264,288,000	28.95%
Colorado	74,454,499	8.67%	51,615,784	11.66%	15,165,872	6.64%	36,449,912	13.88%	20,677,250	2.49%
Connecticut	96,042,293		74,022,517		30,770,755		43,251,762		20,432,022	
Delaware	9,097,600	-34.47%	6,838,149	-39.52%	1,208,040	-24.53%	5,630,109	-41.99%	1,680,401	-8.83%
DC	36,613,462	-9.10%	25,110,206	-11.97%	14,182,650	-19.69%	10,927,556	0.57%	10,156,700	7.13%
Florida	175,608,868	-7.82%	114,087,751	-18.17%	40,555,054	34.89%	73,532,697	-32.76%	48,355,350	15.07%
Georgia	91,947,334	0.59%	54,409,087	-5.13%	29,294,328	-5.96%	25,114,759	-4.14%	34,411,654	6.19%
Hawaii	26,192,479	0.32%	---		---		---		---	
Idaho	11,318,800	29.94%	7,821,500	37.23%	3,214,100	78.58%	4,607,400	18.14%	2,842,700	18.34%
Illinois	386,833,674	-5.16%	163,702,451	-8.87%	55,194,551	-13.39%	108,507,900	-6.39%	77,616,573	3.98%
Indiana	65,446,317	-3.29%	36,318,093	-6.70%	20,184,424	-6.14%	16,133,669	-7.40%	27,026,460	8.80%
Iowa	52,110,783	11.67%	23,141,884		12,555,846		10,586,038		27,352,634	17.98%
Kansas	43,080,255	8.03%	32,167,253	10.65%	10,982,080	104.21%	21,185,173	-10.59%	9,153,816	-4.83%
Kentucky	68,288,065	-2.08%	48,211,456	-11.07%	28,463,682	-0.02%	19,747,774	-23.30%	18,311,852	34.96%
Louisiana	69,271,363	13.31%	54,828,626	14.66%	23,465,876	35.43%	31,362,750	2.86%	12,825,693	8.78%
Maine	23,805,559		9,875,340		5,017,393		4,857,947		12,658,629	
Maryland	103,862,359	-19.50%	4,025,475		---		4,025,475		---	
Massachusetts	103,284,500	10.61%	73,524,300		28,861,894		44,662,406		26,158,547	
Michigan	227,646,231	-9.77%	123,082,358		58,111,861		64,970,497		98,761,901	4.64%
Minnesota	90,080,783	-7.20%	67,228,657	-14.36%	17,304,588	-27.66%	49,924,069	-8.52%	20,783,470	20.47%
Mississippi	16,004,185	3.14%	11,122,627	-0.24%	2,505,124	-5.56%	8,617,503	1.42%	3,635,720	-2.98%
Missouri	81,865,331	-8.03%	51,946,436	-18.97%	17,046,507	-5.71%	34,899,929	-24.18%	26,989,429	25.85%
Montana	14,368,121	-1.93%	9,556,417		5,118,576		4,437,841		4,325,265	
Nebraska	24,944,142		16,058,940		9,074,592		6,984,348		6,362,064	
Nevada	21,610,292	7.68%	21,006,725		18,705,695		2,301,030		---	
New Hampshire	17,563,117	39.49%	14,599,148	37.92%	5,341,956	18.99%	9,257,192	51.87%	2,237,134	51.47%
New Jersey	89,727,031	-1.29%	58,972,170	-11.46%	26,529,748	-24.96%	32,442,422	3.80%	27,071,020	23.59%
New Mexico	26,245,765	-0.39%	14,274,524	-9.74%	4,627,010	28.79%	9,647,514	-21.07%	11,208,408	12.17%
New York	674,125,375	2.65%	464,835,860	4.58%	238,188,589	-5.82%	226,647,271	18.31%	194,298,348	-2.74%
North Carolina	76,330,930	4.35%	49,341,812		31,643,108		17,698,704		23,583,938	
North Dakota	13,385,360	-7.51%	10,348,113		4,961,349		5,386,764		2,653,562	-33.30%
Ohio	341,356,847	-13.28%	197,138,184	-17.69%	112,865,288	-8.79%	84,272,896	-27.20%	138,660,981	-8.02%
Oklahoma	41,826,872	-15.33%	24,155,693	-26.53%	15,214,327	-10.56%	8,941,366	-43.65%	15,455,936	3.75%
Oregon	61,470,469	16.36%	36,104,135	13.94%	16,036,815	10.24%	20,067,320	17.08%	22,225,836	17.03%
Pennsylvania	409,953,635	23.43%	341,385,609	21.18%	188,861,634	19.10%	152,523,975	23.87%	63,360,153	41.73%
Rhode Island	20,414,584	-0.77%	11,994,562		3,168,396		8,826,166		7,637,690	36.32%
South Carolina	31,655,612		17,806,596		9,573,868		8,232,728		12,206,460	
South Dakota	8,312,562	12.01%	5,604,371	-2.58%	2,660,208	-3.51%	2,944,163	-1.73%	2,175,698	70.57%
Tennessee	36,602,382	-8.10%	22,381,809	-18.30%	16,448,598	1.53%	5,933,211	-47.00%	12,541,481	17.75%
Texas	189,812,868	13.77%	134,596,996	15.09%	97,312,973	15.37%	37,284,023	14.36%	49,744,851	11.23%
Utah	26,731,868	4.05%	19,816,903	2.69%	3,837,658	10.57%	15,979,245	0.96%	6,350,515	10.41%
Vermont	21,194,337	-1.42%	15,174,947	-8.12%	11,562,428	-21.59%	3,612,519	104.17%	5,423,224	22.39%
Virginia	105,293,993	41.97%	89,026,518	51.06%	31,961,635	38.55%	57,064,883	59.11%	14,620,648	7.06%
Washington	91,044,546	32.37%	63,582,735	31.50%	15,381,342	-2.08%	48,201,393	47.66%	24,929,231	34.96%
West Virginia	36,418,247	6.95%	28,689,527		20,701,309		7,988,218		6,934,287	
Wisconsin	119,227,434	13.41%	84,942,415	12.86%	13,753,915	-34.04%	71,188,500	30.83%	31,691,830	
Wyoming	3,137,696	-21.14%	2,065,944	-21.30%	583,592	-56.04%	1,482,352	14.25%	573,331	-10.69%
U.S. Total	**5,849,549,635**	**1.68%**	**3,933,181,823**	**1.74%**	**1,826,981,315**	**1.50%**	**2,106,200,508**	**1.94%**	**1,494,263,621**	**11.06%**
		n = 47		n = 35		n = 35		n = 35		n = 39

Sources: 2003 and 2005 Urban Institute Child Welfare Surveys.

0 = state does not use funding stream; --- = state uses funding stream but could not provide data.

Notes: Changes are adjusted for inflation and based on sample sizes noted. Percent changes left blank could not be calculated because of missing or incomplete data or because the state did not use title IV-E for that purpose in SFY 2002 or SFY 2004.

Limitations: South Carolina and Maine did not respond to the survey, therefore the data presented are based on HHS data for FFY 2004. Hawaii, Maryland, and Nevada provided total title IV-E spending, but were unable to provide complete breakdowns in spending. Some states were only able to provide ranges for their foster care and/or adoption penetration rates.

Appendix B: SFY 2004 State-by-State Title IV-E Spending (continued)

State	Adoption payments	Change from SFY 2002	Combined adoption administration and training	Combined change from SFY 2002	Chafee Foster Care Independence Program	Change from SFY 2002	Education and Training Vouchers	Demonstration project	Foster care penetration rate (%)	Adoption penetration rate (%)
Alabama	4,539,653	105.20%	1,536,878	-31.55%	1,252,450	-0.97%	243,299	0	33.40%	65.00%
Alaska	6,268,956	20.48%	511,544	-3.16%	499,710	0.43%	0	0	38.20%	82.10%
Arizona	20,143,141	23.12%	2,572,427	6.96%	1,786,500	-1.40%	937,244	0	51-60%	71-80%
Arkansas	7,011,256	24.60%	1,289,074	-12.75%	632,460	-9.11%	998	0	41-50%	71-80%
California	220,850,000	31.16%	43,438,000	18.77%	25,408,000	-19.11%	8,378,000	---	75.00%	87.00%
Colorado	15,040,287	15.50%	5,636,963	-21.19%	1,937,845	-8.26%	223,620	0	51-60%	71-80%
Connecticut	13,671,778		6,760,244		1,587,754		0	0	51-60%	71-80%
Delaware	1,381,853	11.34%	298,548	-50.42%	500,000	-26.68%	79,050	0	46.58%	63.77%
DC	7,728,724	12.08%	2,427,976	-6.08%	1,091,992	-51.92%	254,564	0	50.00%	45.00%
Florida	32,671,056	19.65%	15,684,294	6.58%	12,075,273	33.25%	1,090,494	0	49.05%	59.31%
Georgia	23,171,520	12.34%	11,240,134	-4.58%	2,576,407	56.28%	550,186	0	31-40%	31-40%
Hawaii	---		---		586,766	57.21%	0	0	69.99%	77.36%
Idaho	2,198,100	31.19%	644,600	-11.28%	529,700	-13.05%	124,900	0	51-60%	Over 80%
Illinois	69,855,877	9.15%	7,760,696	-27.10%	10,255,585	-20.76%	2,565,986	132,693,079	50.54%	91.79%
Indiana	25,275,282	11.99%	1,751,178	-22.88%	922,534	-38.33%	0	1,179,230	31-40%	61-70%
Iowa	24,106,182	13.74%	3,246,452	63.20%	1,213,147	95.92%	403,118	0	31-40%	73.00%
Kansas	8,091,910	0.05%	1,061,906	-30.61%	1,759,186	47.92%	0	0	51-60%	71-80%
Kentucky	16,046,923	41.47%	2,264,929	1.77%	1,548,375	-20.63%	216,382	0	58.87%	84.67%
Louisiana	9,740,029	13.12%	3,085,664	-2.96%	1,309,538	-14.28%	307,506	0	70.57%	80.67%
Maine	8,934,594		3,724,035		771,350		251,655	248,585	---	---
Maryland	---		---		2,827,384	39.64%	15,958	---	51-60%	31-40%
Massachusetts	23,479,170		2,679,377		3,171,113		430,540	0	41.93%	69.26%
Michigan	92,924,018	5.47%	5,837,883	-7.08%	5,321,182	6.43%	480,790	0	61.00%	86.00%
Minnesota	14,264,196	24.64%	6,519,274	12.27%	2,068,656	56.69%	0	0	61.23%	80.99%
Mississippi	3,184,096	4.42%	451,624	-35.32%	1,001,926	89.86%	0	243,912	21.00%	20.00%
Missouri	21,969,702	36.80%	5,019,727	-6.80%	2,828,001	-18.32%	101,465	0	41-50%	71-80%
Montana	3,690,327		634,938		452,520		33,594	325	41-50%	---
Nebraska	5,984,795		377,269		2,523,138		0	0	28.70%	67.30%
Nevada	---		---		461,414	0.43%	142,153	0	---	---
New Hampshire	1,573,503	44.63%	663,631	70.61%	416,371	-9.66%	93,588	216,876	56.00%	63.00%
New Jersey	16,010,511	11.38%	11,060,509	46.88%	2,843,693	18.99%	840,148	0	51-60%	51-60%
New Mexico	9,280,709	18.01%	1,927,699	-9.41%	404,960	-22.12%	12,374	345,500	62.00%	87.86%
New York	190,234,040	2.00%	4,064,308	-69.33%	11,585,958	-6.93%	3,405,209	0	51-60%	Over 80%
North Carolina	23,310,338		273,600		2,153,301	-2.57%	395,336	856,543	61-70%	51-60%
North Dakota	2,151,457	34.70%	502,105	-78.91%	383,685	-9.87%	0	0	51.00%	75.00%
Ohio	56,695,847	8.49%	81,965,134	-16.78%	4,344,549	47.62%	1,104,417	108,716	73.00%	94.00%
Oklahoma	12,138,978	7.11%	3,316,958	-6.94%	2,112,431	30.12%	102,812	0	51-60%	51-60%
Oregon	20,199,806	15.60%	2,026,030	33.54%	1,717,348	18.92%	88,738	1,334,412	77.97%	74.86%
Pennsylvania	39,969,281	20.50%	23,390,872	102.79%	5,207,873	-8.95%	0	0	46.00%	87.00%
Rhode Island	6,835,276	43.99%	802,414	-6.24%	782,332	-20.07%	0	0	39.00%	68.00%
South Carolina	10,956,275		1,250,185		1,238,495		404,061	0	---	---
South Dakota	2,020,285	74.00%	155,413	35.78%	532,493	35.64%	---	0	41-50%	76.00%
Tennessee	11,285,314	17.84%	1,256,167	16.94%	1,648,418	-7.51%	30,674	0	51-60%	71-80%
Texas	44,054,379	12.56%	5,690,472	1.92%	5,337,035	9.03%	133,986	0	66.64%	73.52%
Utah	5,330,895	12.31%	1,019,620	1.45%	564,450	-12.29%	0	0	49.00%	71.00%
Vermont	5,423,224	22.39%	0	0.00%	596,166	7.67%	0	0	51-60%	Over 80%
Virginia	10,918,744	13.08%	3,701,904	-7.49%	1,461,204	-7.15%	185,623	0	58.50%	---
Washington	20,546,751	35.84%	4,382,480	30.98%	2,412,168	23.38%	94,338	26,074	41-50%	Over 80%
West Virginia	6,626,542		307,745		779,300	-16.01%	15,133	0	41-50%	61-70%
Wisconsin	28,462,746		3,229,084		2,593,189	-2.48%	---	0	---	87.00%
Wyoming	526,833	4.73%	46,498	-66.54%	458,421	-35.59%	40,000	0	---	---
U.S. Total	**1,206,775,159**	**15.34%**	**287,488,462**	**-3.41%**	**138,473,746**	**-2.30%**	**23,777,939**	**137,253,252**	**51.97%**	**72.17%**
		n = 39		n = 39		n = 46			n = 46	n = 45

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