

# The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending

Rob Geen  
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*The Urban Institute*

*Occasional Paper Number 20*



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the New  
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Changing Social Policies*

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This report is part of the Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs and their effects. In collaboration with Child Trends, the project studies child and family well-being.

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The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

This study could not have been completed without the assistance of dedicated and diligent individuals working in state child welfare and budget offices. We are indebted to the many individuals in each state who spent countless hours ensuring that fiscal data were correct and explaining billing practices to our data collection staff. Most went above and beyond our expectations in answering our questions, tracking down information, and patiently working with us, often after hours, on their states' figures. We would also like to recognize several state contacts who not only answered the survey but also assisted in the development of the survey instrument and in the data analysis. Carrie Friedman, Bill Hindman, Carol McNally, and Becky Peaton were all crucial in interpreting state terminology and deciphering the complexities of state program spending.

A number of researchers and policymakers helped in developing the survey and finalizing the end product. Patrick Curtis, Tracey Feild, and Ying-Ying Yuan provided valuable suggestions on wording and data concepts in the survey. In addition, MaryLee Allen, Mary Bissell, Mark Courtney, Barbara Pryor, Betsey Rosenbaum, Matt Stagner, and Mark Testa read early drafts of the paper and provided insightful comments.

Several Urban Institute staff also contributed to the report. Freya Sonenstein provided guidance and support whenever it was needed. Toby Douglas and Kim Flores provided valuable assistance in understanding state fiscal data and budget processes. Barbara Willis designed the layout and produced the survey instrument, completing it in record time. Felicity Skidmore provided excellent editing, making complicated fiscal information more easily understood. Several interns and research assistants also contributed to the effort, collecting information from the states, cataloging the data, and ensuring accuracy. Katrina Ryan and Shahna Gooneratne conducted much of the phone follow-up to the states, and Elizabeth Herre and Chris Ford helped format state graphs and made updates to data based on states' comments. Jacob Leos-Urbel assisted in editing final drafts and finalizing last-minute details.

# Assessing the New Federalism

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**A** *ssessing the New Federalism* is a multi-year Urban Institute 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. In collaboration with Child Trends, Inc., 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.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of occasional papers analyzing information from these and other sources.

# Contents

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Introduction	1
The Child Welfare System and Devolution	2
Addressing Gaps in Existing Financial Data	3
Total Child Welfare Spending	5
Federal Child Welfare Spending	6
State Child Welfare Spending	15
Local Spending	17
Conclusions	18
Appendices	23
Appendix A: Child Welfare Survey	25
Appendix B: Methodology and Analysis	39
Appendix C: Federal Programs Funding Child Welfare	45
Notes	49
About the Authors	53

# The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending

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## Introduction

**C**hild welfare services are designed to ensure the safety of children. As such, they span a broad range of activities, including supporting and preserving families, investigating reports of abuse or neglect, protecting victimized children, and assisting children temporarily or permanently removed from their parents' homes. Primary responsibility for delivering child welfare services rests with the states or local governments, which use funds from federal, state, and local sources. Federal funding accounts for a substantial proportion of the total available funds, but state officials and child welfare researchers charge that these funds come with spending restrictions that are major barriers to effective service delivery.

Recent legislation to devolve more financial and operational responsibility for social service delivery to the states will probably increase states' flexibility in financing social services, including child welfare services and other programs such as child care and Temporary Assistance for Needy Families (TANF). Unfortunately, because there is little systematic information on either the amount of funding available for child welfare services generally or the allocation of that funding across specific services, it is difficult to track changes that take place as devolution proceeds.

To begin to fill this data gap and to provide a baseline from which to assess changes in the way states finance child welfare services, the Urban Institute conducted a survey of all 50 states and the District of Columbia on child welfare funding sources and expenditures. (For the purposes of this report, we considered the District of Columbia as a state, for a total survey sample of 51 states.) All but two states provided some data, and 33 were able to identify nearly all requested spending on child welfare services. This paper presents the results of that survey.<sup>1</sup> State-specific data are provided in the *Supplemental Report* for this paper.

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## The Child Welfare System and Devolution

Within broad federal guidelines, each state has its own definition of child abuse and neglect, its own legal and administrative procedures, and its own programs to address the needs of vulnerable children. Federal child welfare financing comes through almost 40 separate programs,<sup>2</sup> with Titles IV-B and IV-E of the Social Security Act being the primary sources of funding specifically allocated to child welfare services. Title IV-B provides federal matching funds for a wide range of child welfare activities, but it is subject to a relatively low funding cap. Title IV-E is an open-ended entitlement reimbursing states for a portion of certain costs associated with foster care and adoptive placements. Moreover, states receive IV-E reimbursement only for certain income-eligible children, approximately half of states' foster children on average. Child welfare administrators and other experts alike criticize this funding combination as inflexible, making it difficult for states to design service interventions that meet their individual needs. Experts also suggest that this funding structure constitutes a financial incentive for states to place children in foster care rather than provide services to keep families intact.

Acknowledging the pitfalls of such funding rigidity and responding to dramatic recent increases in Title IV-E spending, Congress has begun considering ways to give states increased fiscal flexibility and responsibility. As part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), for example, Congress debated a proposal to create a Child Protection Block Grant for all federal child welfare funds. Though this was defeated, many experts believe that Congress will reconsider this option in the future. PRWORA authorized the Department of Health and Human Services to grant waivers to up to 10 states to experiment with some of their Title IV-E funds as a type of block grant.<sup>3</sup> In 1997, this authorization was expanded to an additional 10 states per year between 1998 and 2002. (Not all states will receive a waiver, as individual states may apply for and receive multiple waivers.)

Federal devolution of fiscal authority for other social programs is also likely to affect states' financing of child welfare services. PRWORA made few changes to federal child protection programs. However, it allocated a sizable portion of

federal funding as block grants for low-income populations, significantly increasing states' flexibility to define their own social policies and programs. This devolution and the associated changes will have a significant impact on child welfare financing by affecting child welfare agencies' access to social services and emergency funds. For example, PRWORA eliminated the federal Emergency Assistance Program, rolling these program funds into the TANF block grant, and reduced funding for the Social Services Block Grant.<sup>4</sup> How states will use this increased fiscal flexibility and how the decisions they make will affect child welfare financing is, of course, uncertain, but this inevitable uncertainty is aggravated by the lack of reliable data.

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## Addressing Gaps in Existing Financial Data

No current data can tell us what states' total child welfare spending is in a given year or how it has changed over time. Thus, we do not know how states are using their fiscal flexibility to implement child welfare policies and programs that address state-determined priorities. Nor do we know whether total available funds (federal, state, and local) for child welfare services have increased over time.

From federal reimbursement data for Title IV-E funds and child welfare caseload data, we can plausibly conclude that total child welfare spending has been increasing rapidly. The reimbursement data report an increase of 450 percent between 1986 and 1996 in federal payments to states for foster care and adoptive placements.<sup>5</sup> Caseload data over the same period reveal a 51 percent increase in the number of children reported to be victims of abuse and neglect, an increase from 33 to 46 abuse and neglect reports per 1,000 children in the population.<sup>6</sup> In addition, the number of children in foster care increased by 79 percent during this period.<sup>7</sup>

What is current total child welfare spending? Estimates vary from \$6.0 billion to \$11.2 billion.<sup>8</sup> Even for foster care, which is one of the better documented services, one expert recently concluded that missing data and unclear definitions leave us with no reliable estimates.<sup>9</sup>

The difficulty of compiling reliable child welfare expenditure data is twofold. First, it is difficult to determine what to include in the estimate to obtain comparable information across states. States' child welfare agencies do not always serve the same populations. In one state, the child welfare agency may be responsible for adjudicated youth, homeless and runaway children, and victims of domestic violence. In another state, the child welfare agency may serve only children who have been abused or neglected. Thus, it is important to identify what types of services and populations to include in an estimate of child welfare spending. The second difficulty is that, even once a comparable definition of child welfare spending is developed across states, states may not be able to accurately estimate the appropriate spending from all funding





sources. Many federal funding sources (including large block grants) are used by multiple agencies for multiple purposes. States cannot always determine what portion of these funds is used specifically for child welfare services. In addition, many states do not require localities to report child welfare spending and thus often do not have any information on local spending beyond what localities may be mandated to provide.

The Urban Institute survey used a uniform definition of child welfare expenditures to make our expenditure data as comparable as possible across states. We asked respondents to report costs for the following specific services: preventive services for children and families at risk of abuse and neglect; family preservation and reunification services; child protective services (intake, family assessment, investigation, and case management); all in-home and out-of-home support services; all out-of-home placements; and adoption services. We also asked states to report administrative costs associated with delivering such services, including staff case management and placement services, salaries, benefits, and other related expenses. (Capital costs were excluded.)<sup>10</sup> If a state agency other than the child welfare agency provided these services, we asked for these expenditures. And if the state child welfare agency used funds to provide services beyond those we listed (e.g., services for juvenile offenders not related to child abuse or neglect), we asked states to exclude those funds. We also instructed states not to include all monies spent on children involved with the child welfare agency, but to restrict responses to funds expended on services that met our definition. We asked states to include Medicaid funds used to pay for child welfare case management, for example, but to exclude funds spent on health services for children and families in the child welfare system.

While we made every effort to ensure that states' data were comparable, some policy differences may explain differences in states' spending levels as much as differences in states' financing practices or priorities do. For example, each state defines differently what constitutes child abuse or neglect. While some states may consider corporal punishment an appropriate or allowable disciplinary measure, other states may consider it child abuse.

The survey used a mailed questionnaire with extensive phone follow-up, averaging a total of 18 hours per state. This follow-up allowed us to persuade states to provide us with any missing information. While 49 states (all but Hawaii and Virginia) responded to our survey, many states could not provide all of the information we requested. Moreover, for many of the more detailed financing questions, states could not provide the information. This prohibited us from analyzing the costs of individual services and limited our understanding of the complexities of child welfare financing. As a result, the analyses in this paper often reflect information from fewer than 49 states. All but two of the responding states (47) provided complete data on state dollars expended, 37 provided data on all state and federal dollars expended, and 33 provided estimates of total spending, including the amount of federal, state, and local dollars expended.<sup>11</sup>

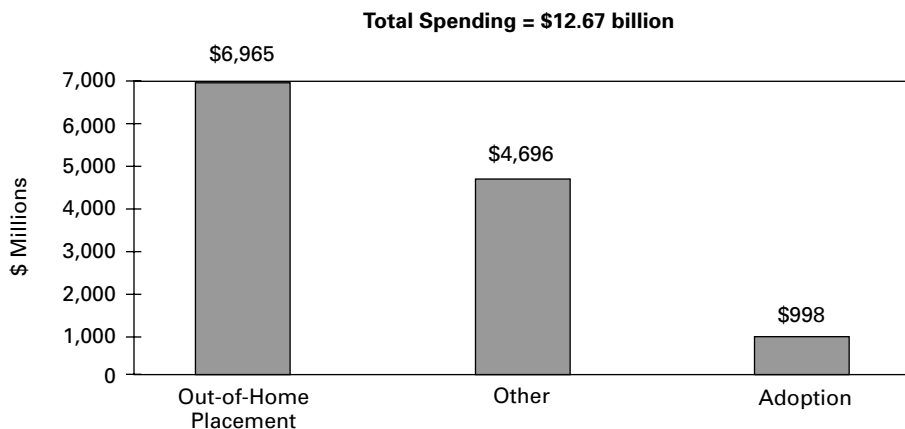
## Total Child Welfare Spending

When we add up all the child welfare expenditure data we received from the 49 responding states, plus Titles IV-B and IV-E federal reimbursements and the corresponding required state matching funds from the two nonresponding states, we get an overall total (including federal, state, and local dollars) of \$14.4 billion spent on child welfare in state fiscal year (SFY) 1996.<sup>12</sup> This total is 29 percent higher than the maximum previously estimated (Courtney 1997). The actual total spending on child welfare is almost certainly substantially higher than \$15 billion, given that our estimate does not include certain child welfare expenditures for at least 18 of the 51 states.

When we include spending from all 51 states that we could categorize by type of child welfare service funded, the largest amount was spent on out-of-home placement—not a surprising finding given its high cost (figure 1). Of the nearly \$12.7 billion we could categorize, states expended almost \$7.0 billion for out-of-home care. States spent an additional \$1.0 billion on adoption and just under \$4.7 billion on all other child welfare services combined (all child protective services, services to prevent child abuse and neglect, family preservation services, and ongoing case management activities).<sup>13</sup>

For the 31 states that provided complete federal, state, and local information, we calculated the share of child welfare funding provided by each level of government. Federal funds accounted for 44 percent, state funds for 44 percent, and local sources for 13 percent.<sup>14</sup> However, states' reliance on federal funds for child

**Figure 1** Total U.S. Child Welfare Spending in SFY 1996 Classifiable by Type of Expenditure



*Note:* Funds from all states are included. Many states could not provide complete information on spending and categorize all funds expended. Therefore, total spending is less than estimates based on federal, state, and local funds (approximately \$14.4 billion). Most states did not include local funds in these breakouts. These results represent the “lower bounds” of spending for all states. Due to missing data, calculating proportions of spending by type will not correctly reflect the relationship between out-of-home placement, adoption, and other costs.



welfare varied significantly.<sup>15</sup> Of the 47 states that could identify the majority of their state and federal spending, for example, the federal share ranged from a low of 22 percent in Alaska to a high of 74 percent in Missouri. In 21 of these 47 states, federal funds accounted for 50 percent or more of all child welfare spending; in 9 of them, federal funds accounted for more than 60 percent (figure 2).<sup>16</sup>

Total child welfare spending per child (under age 18) varies widely by state (figure 3)—ranging in 1996 from under \$100 in Mississippi to over \$500 in the District of Columbia. What factors lead to such large differences? One factor is certainly differences in definitions of child abuse and neglect. All else equal, states with broader definitions of abuse and neglect will have more families referred for services and higher child welfare costs. Differing rates of child abuse and neglect also may affect state spending amounts. Again, all else equal, states with higher rates of child abuse and neglect will have more families referred for services and higher child welfare costs. Another plausible factor is the number of poor children in a state. This number is potentially important for two reasons. First, significant amounts of federal funding for child welfare services are allocated through a formula that has more generous reimbursement rates for states with low per capita incomes. Therefore, states with more residents in poverty have access to more federal funds. Second, researchers have consistently noted that, holding other factors constant, low-income families are more likely to be reported to the child welfare system.<sup>17</sup> Thus, one might think that controlling for poverty would decrease the variation in states' total child welfare spending. However, states' child welfare spending per poor child also varies widely, ranging in 1996 from less than \$200 per poor child in Mississippi to more than \$3,700 in New Hampshire (figure 4).

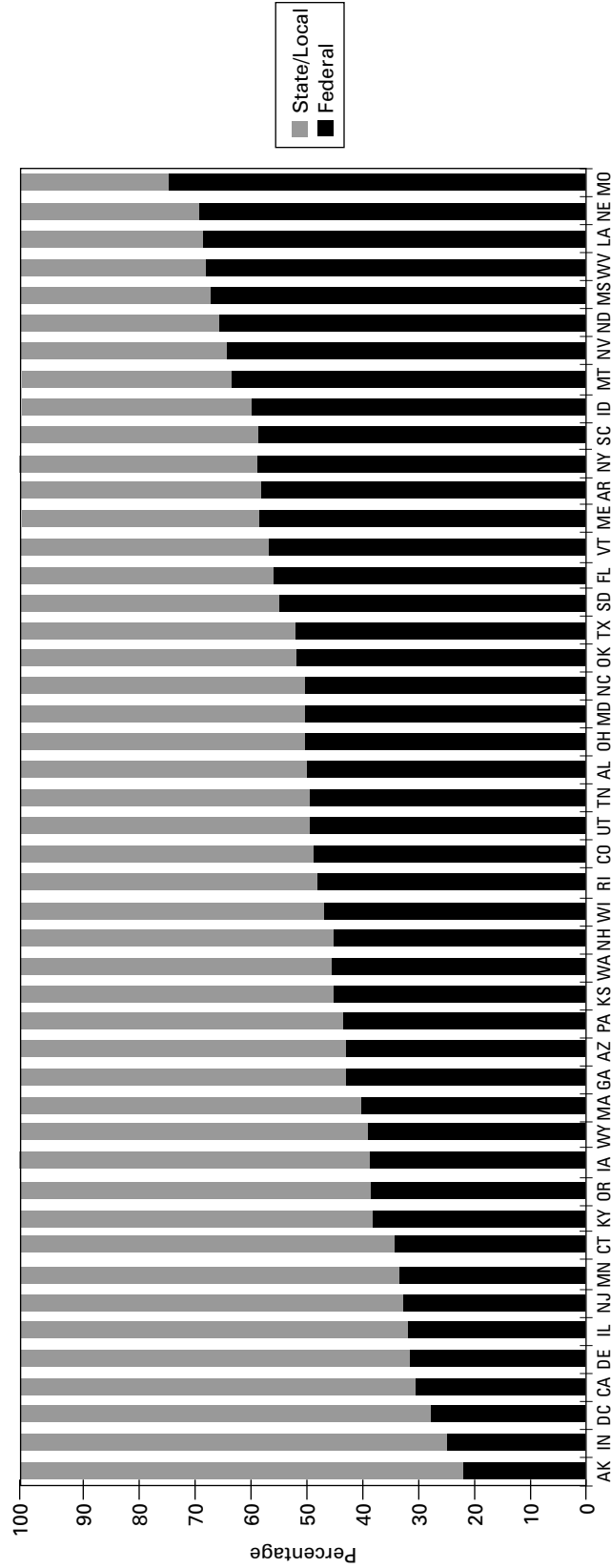
The next sections break total child welfare spending into federal, state, and local spending, respectively.

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## Federal Child Welfare Spending

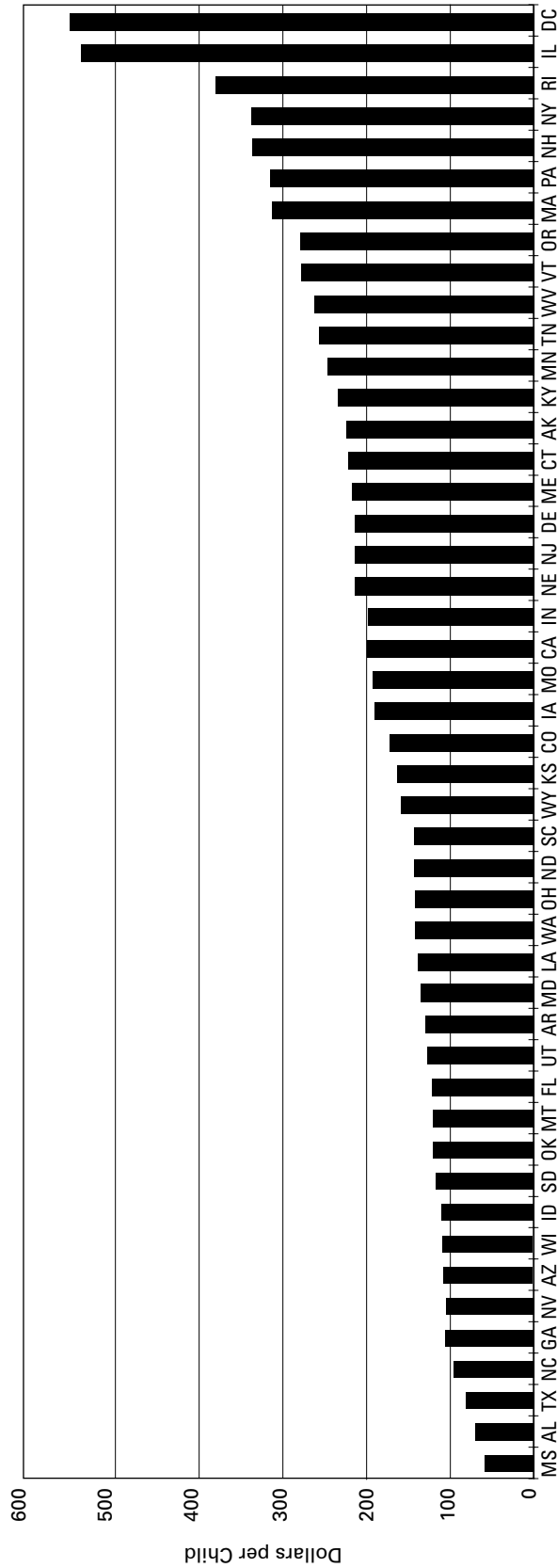
Of the almost 40 separate federal programs funding child welfare services, some target child welfare services specifically while others support a variety of services that include child welfare services. Table 1 lists the largest federal programs used to support child welfare services.<sup>18</sup> As noted earlier, the Social Security Act and its amendments established the primary sources of federal funds specifically allocated to states for child welfare activities, including Titles IV-B (prevention and case management funds) and IV-E (foster care and adoption funds). More recently, states have begun to rely more heavily on a variety of “nontraditional” funding sources for child welfare—funds that are not dedicated to child welfare services—especially large, flexible federal sources such as Title IV-A Emergency Assistance (EA), the Social Services Block Grant (SSBG), and Medicaid.<sup>19</sup> Many states have also used Aid to Families with Dependent Children (AFDC) grants to support children who have been removed

**Figure 2** *Percentage of State's Total SFY 1996 Child Welfare Spending Financed through Federal Sources*



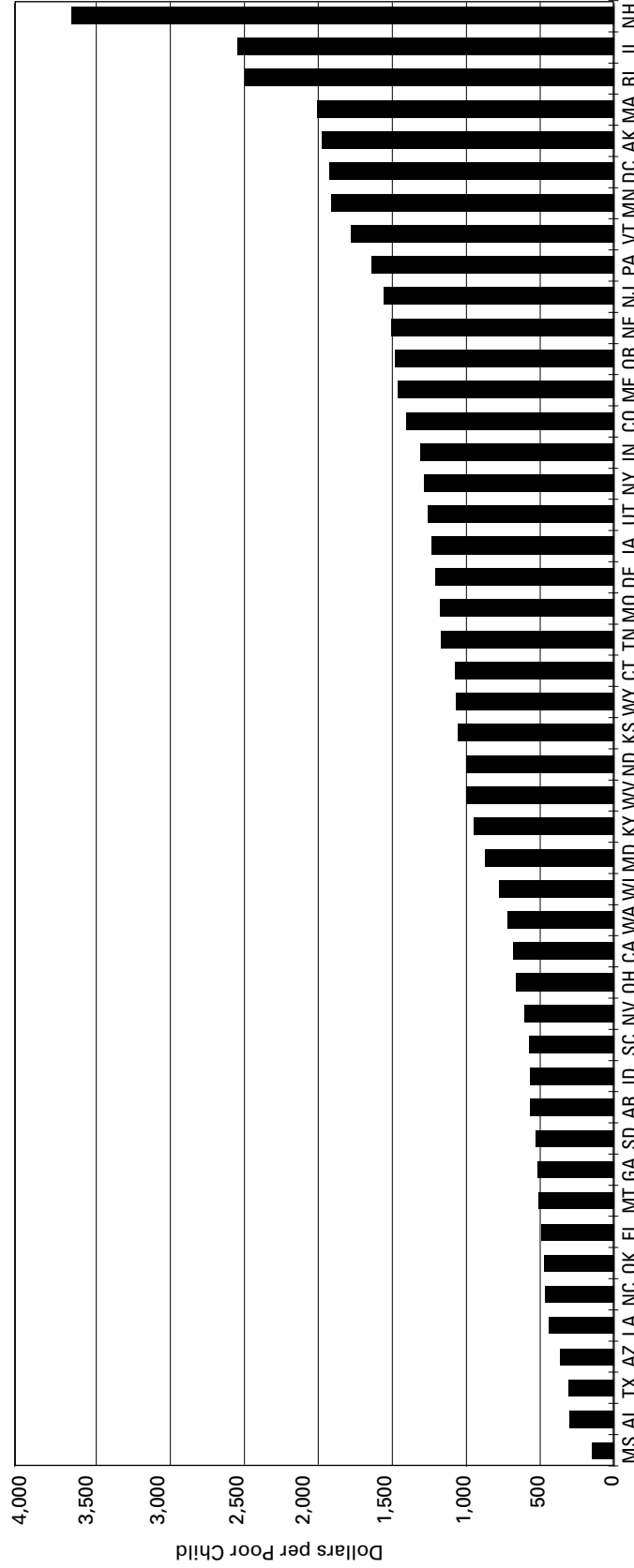
Note: Only 33 states could provide complete data for federal, state, and local spending. Other states are included but may not have reported all spending. See the *Supplemental Report* for data restrictions for each state.

**Figure 3 Total SFY 1996 Child Welfare Spending per Child 18 Years and Under**



Note: Only 33 states could provide complete data for federal, state, and local spending. Other states are included but may not have reported all spending. See the *Supplemental Report* for data restrictions for each state. Number of children per state provided by the U.S. Bureau of the Census March Current Population Survey (CPS) data, three-year average from 1995 to 1997.

**Figure 4** Total SFY 1996 Child Welfare Spending per Poor Child 18 Years and Under



Note: Only 33 states provided complete data for federal, state, and local spending. Other states are included but may not have reported all spending. See the *Supplemental Report* for data restrictions for each state. Number of children 0–18 living below the poverty level from the U.S. Bureau of the Census March Current Population Survey (CPS) data, three-year average from 1995 to 1997.



**Table 1** *Key Federal Child Welfare Funding Sources (1996)*

Funding Source	Eligible Population	Eligible Services	Funding Level (federal funds)
<b>Title IV-B</b>			
Part 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 with 75 percent federal match with 1996 appropriations cap at \$277 million.
Part 2 (promoting safe and stable families)	No eligibility criteria	Services to support families and obviate foster care.	State entitlement with 75 percent federal match with 1996 cap at \$225 million.
<b>Title IV-E (Foster Care)</b>			
Maintenance Payments	Certain AFDC-eligible children <sup>a</sup>	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 program with federal match equal to state Medicaid matching rate. Expenditures in 1996 totaled \$1.5 billion.
Administration	Children eligible for Title IV-E in foster care and proportional administrative expenses for the ongoing protective services population	Placement services, case management, eligibility determinations, licensing, foster care recruitment and training, and other administrative costs.	Open-ended entitlement program with 50 percent federal match. Expenditures in 1996 totaled \$1.2 billion.
Training	Cost of training proportional to children eligible for Title IV-E	Training of agency staff and foster parents.	Open-ended entitlement program with 75 percent federal match. Expenditures in 1996 totaled \$140 million.
<b>Title IV-E (Adoption Assistance)</b>			
Maintenance Payments	Special-needs children eligible for AFDC or Supplemental Security Income (SSI)	Payments to adoptive parents, not to exceed comparable foster care amounts, to cover basic maintenance costs, including food, shelter, daily supervision, school supplies, insurance, and incidentals.	Open-ended entitlement program with federal match equal to state Medicaid matching rate. Expenditures in 1996 totaled \$427 million.
Administration	Children eligible for IV-E adoption assistance	Child placement and other administrative activities.	Open-ended entitlement program with 50 percent federal match. Expenditures in 1996 totaled \$124 million.
Training	No eligibility criteria	Training of agency staff and adoptive parents.	Open-ended entitlement program with 75 percent federal match. Expenditures included in estimate of administration above.
Nonrecurring Expenses	Special-needs children	Reasonable and necessary adoption fees, court costs, attorney fees, and related expenses.	Open-ended entitlement program with 50 percent federal match up to \$2,000 per placement. Expenditures included in estimate of maintenance payments above.

*(continued on next page)*

**Table 1** Key Federal Child Welfare Funding Sources (1996) (continued)

Funding Source	Eligible Population	Eligible Services	Funding Level (federal funds)
<b>Title IV-E (Independent Living)</b>	Foster children at least 16 years old	Transition services including basic living skills training, education, and employment initiatives.	Entitlement program capped at \$70 million in 1996. States are required to provide 50 percent matching for any federal funding claimed in excess of \$45 million.
<b>Title IV-E (State Automated Child Welfare Information System [SACWIS])</b>	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 an enhanced federal match of 75 percent authorized through 1998. Ongoing operational costs will be matched at a rate of 50 percent. Federal SACWIS expenditures totaled \$191 million for 1996.
<b>Emergency Assistance<sup>b</sup></b>	Varies by state, but abused and neglected children are eligible in all	Assistance to families with children to avoid destitution or to provide for appropriate living arrangements. Any services authorized within 30 days of assistance can be provided for up to 12 months.	Open-ended entitlement program with 50 percent federal match. Expenditures in 1996 totaled \$3.2 billion. It was previously not known what portion was spent on child welfare services.
<b>Social Services Block Grant</b>	Varies by state	States are given wide discretion in using funds for direct social services as well as administration, training, and case management.	An entitlement program with funds capped at \$2.4 billion in 1996. It was previously not known what portion was spent on child welfare.
<b>Medicaid</b>	Varies by state, but all AFDC and SSI recipients are eligible	Each state defines its own package of covered services within broad federal guidelines.	Open-ended entitlement rate with a variable federal matching rate that is inversely related to a state's per capita income and can range from 50 to 83 percent. It was previously not known what portion was spent on child welfare.

*Notes:*

- a. PRWORA requires states to base eligibility for Title IV-E reimbursement on 1996 AFDC income eligibility standards.
- b. The EA program no longer exists because the funds for the program have been rolled into TANF block grants to states.

from their parents' homes and placed with relative or kinship caretakers; however, no data exist on states' AFDC expenditures for this purpose.

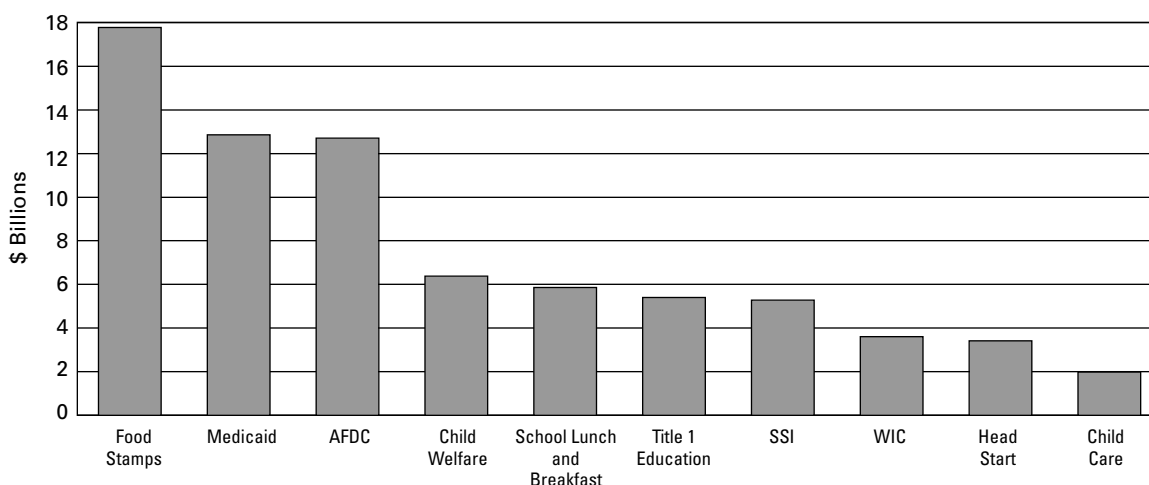
Based on all available data, the 51 states spent approximately \$6.5 billion in federal funds for child welfare services in SFY 1996. As shown in figure 5, the federal expenditure on child welfare services is larger than that for most other federal programs that support children and families.

Of the different federal sources, Title IV-E is by far the largest, accounting for \$3.3 billion of states' child welfare spending in SFY 1996. Together EA, SSBG, and Medicaid, though not dedicated sources of child welfare funding, accounted for more than \$2.6 billion, a significant share of federal child welfare spending. Of the





**Figure 5** Federal FY 1996 Federal Spending on Selected Programs for Children and Families



Sources: *Budget Information for States, Budget of the United States Government, Fiscal Year 1998* (Washington, DC: U.S. Government Printing Office, 1997); *Social Security Bulletin, Annual Statistical Supplement, 1997*; Urban Institute calculations using data from the Health Care Financing Administration 64 and 1082 forms; "Characteristics of Food Stamp Households, Fiscal Year 1996," United States Department of Agriculture, Food and Consumer Services.

Note: Medicaid spending does not include spending on child welfare–related expenses as defined in this report. The amount of AFDC and SSI payments made to families in lieu of foster payments is unknown and is thus included in AFDC and SSI. Title 1 Education refers to Grants to Local Education Agencies (program 84.010 in the Catalog of Federal Domestic Assistance). WIC refers to the Special Supplemental Nutrition Program for Women, Infants, and Children. Child Care includes the Child Care Development Block Grant funds, which are also counted in the child welfare totals. These child care funds were not significant in the child welfare figures.

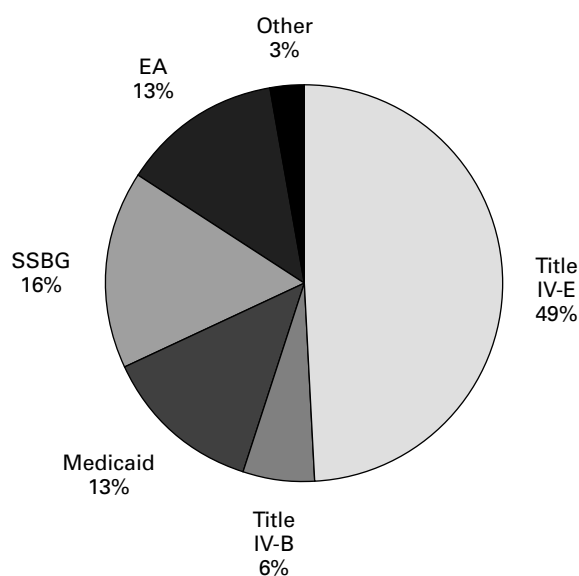
49 states reporting, 45 used EA to fund child welfare services, 47 used SSBG, and 42 used Medicaid; 46 used two of these three sources; and 39 used all three. For the 42 states that provided information on all their sources of federal funding, EA, SSBG, and Medicaid together accounted for 42 percent of all federal dollars spent (figure 6).<sup>20</sup> Individual states' reliance on these federal sources to fund child welfare services varies greatly. As shown in figure 7, in 22 states, these three sources constitute more than 50 percent of federal expenditures.

When we include the federal funds that we could categorize by type of child welfare service funded for each of the 51 states, states spent \$3.4 billion in federal funds for out-of-home placement, \$0.5 billion on adoption, and \$1.8 billion on all other child welfare services combined.<sup>21</sup>

This distribution is not surprising given the restrictions on Titles IV-B and IV-E and the high costs associated with out-of-home placement. At the same time, however, our data suggest that the percentage of federal funds expended on "other" costs is higher than previously thought, in large part because of states' use of EA, SSBG, and Medicaid. In 16 of the 25 states that provided complete information, these three funding sources together accounted for more than 50 percent of "other" federal expenditures (figure 8).

Our data contain another surprise. Because Title IV-E funds are not capped, it has been generally assumed that states use primarily Title IV-E funds for out-of-home placement. Our data show that this is not true. Of the 27 states that

**Figure 6** SFY 1996 Federal Child Welfare Spending by Funding Source



Note: N = 42. Some states were removed from this calculation because of missing federal data.

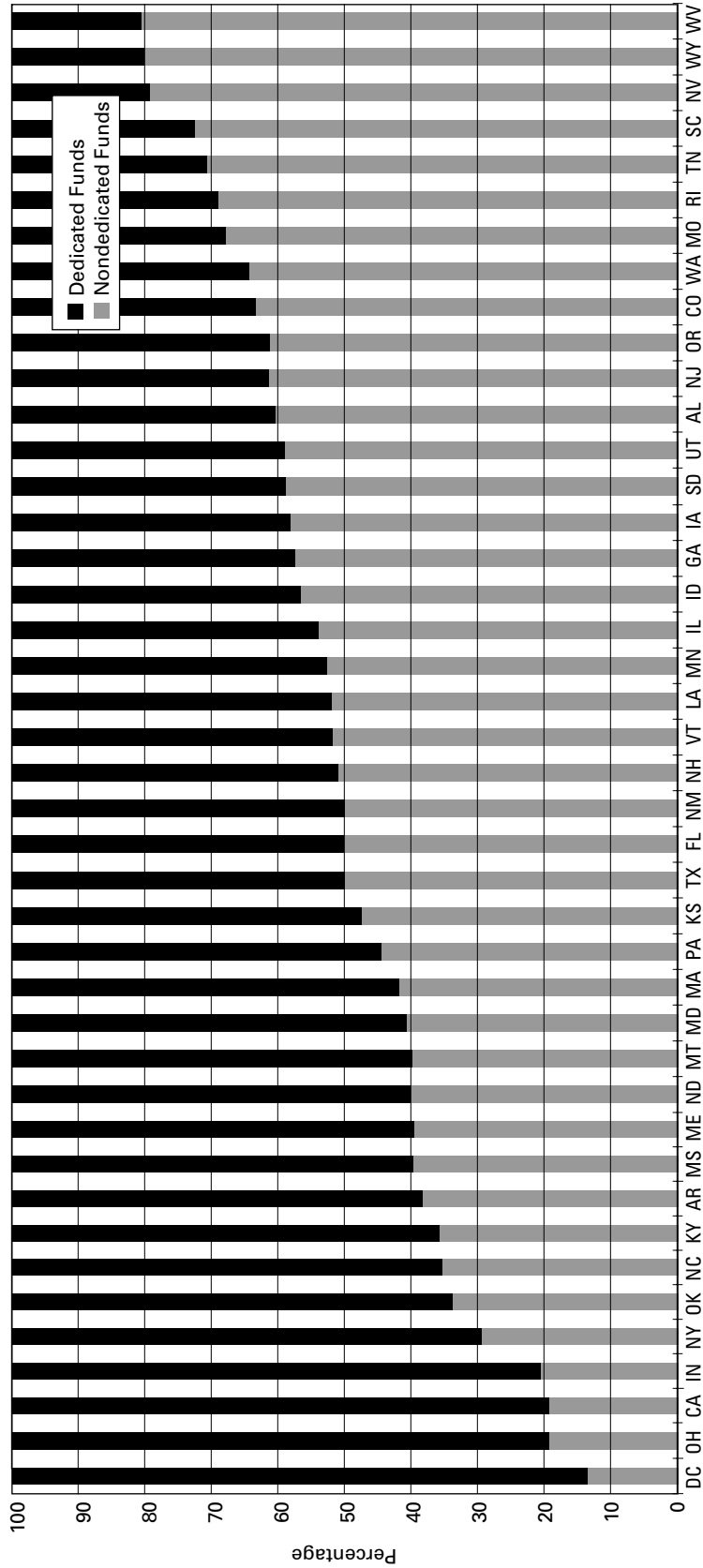
provided detailed information on federal expenditures for out-of-home placement, 10 states used EA, SSBG, and Medicaid for more than 50 percent of all federal spending for this purpose (figure 9). We asked states why they would use EA, SSBG, and Medicaid funds for costs that are covered under Title IV-E and received a variety of explanations from state officials.

Many states reported using EA, Medicaid, and SSBG to pay for foster care costs not allowable under Title IV-E, including the board and care of children not eligible for Title IV-E funds, therapeutic services for children in care, payments to for-profit institutions,<sup>22</sup> and certain preplacement and administrative costs. In addition, some states said they use nontraditional federal funding streams rather than Title IV-E because they receive higher rates of reimbursement under these programs than under Title IV-E. For example, if the state has a high Medicaid matching rate (say 70 percent) and can bill child welfare case management costs to this fund through “targeted case management,” it receives a higher federal reimbursement than it would under Title IV-E (which reimburses administrative costs at 50 percent). Even when the reimbursement rate is the same, states have an incentive to bill Medicaid rather than Title IV-E whenever possible, because far more children are eligible for Medicaid. As illustrated in table 2, by billing Medicaid instead of Title IV-E for case management costs, states receive additional federal revenue even though the federal matching rate is the same.

Why don’t all states with high Medicaid matching rates use this strategy? State officials cited the intricacies of Medicaid billing practices, which make it too complex for some states to shift billing and receive these additional reimbursements. Other states either were unaware of these funding possibilities or

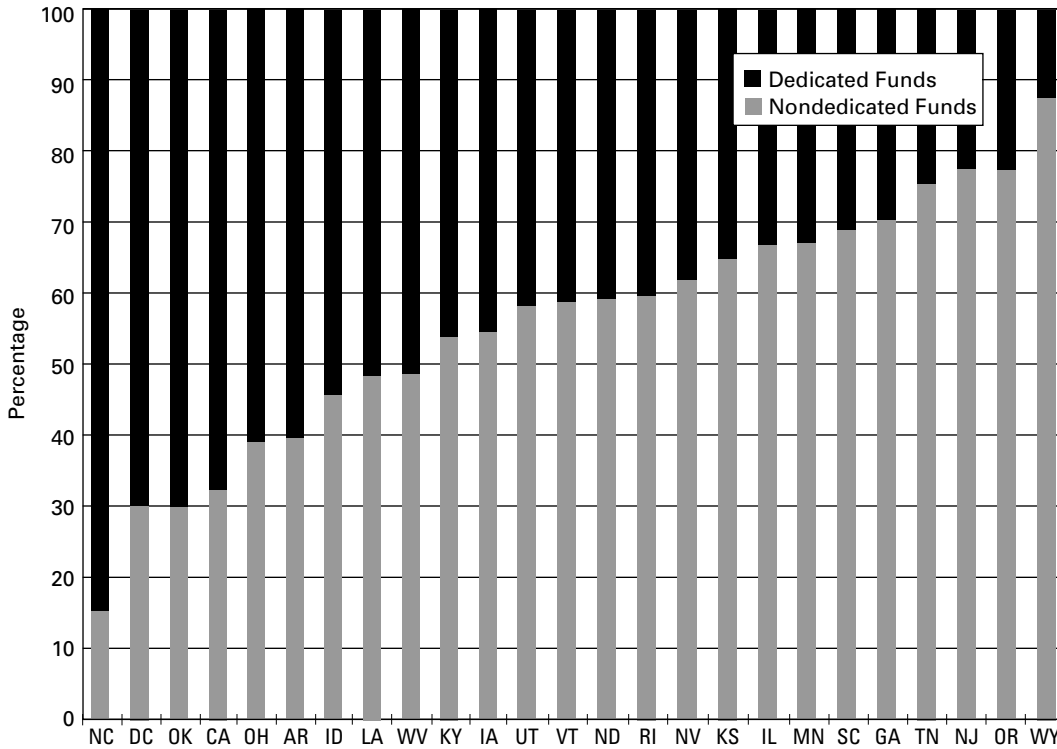


Figure 7 Comparison of States' Use of Federal Funds Dedicated (Titles IV-B and IV-E) and Not Dedicated (EA, SSBG, and Medicaid) for Child Welfare



Note: N = 42. Eight states could not provide enough data to accurately calculate federal spending percentages.

**Figure 8** Comparison of States' Use of Federal Funds Dedicated (Titles IV-B and IV-E) and Not Dedicated (EA, SSBG, and Medicaid) for Child Welfare to Pay for Services Other Than Out-of-Home Placement



Note: Several states could not provide all of their federal spending; others could not break out reported spending by out-of-home placement or other spending. These states were removed from the figure. See the *Supplemental Report* for data limitations for each state.

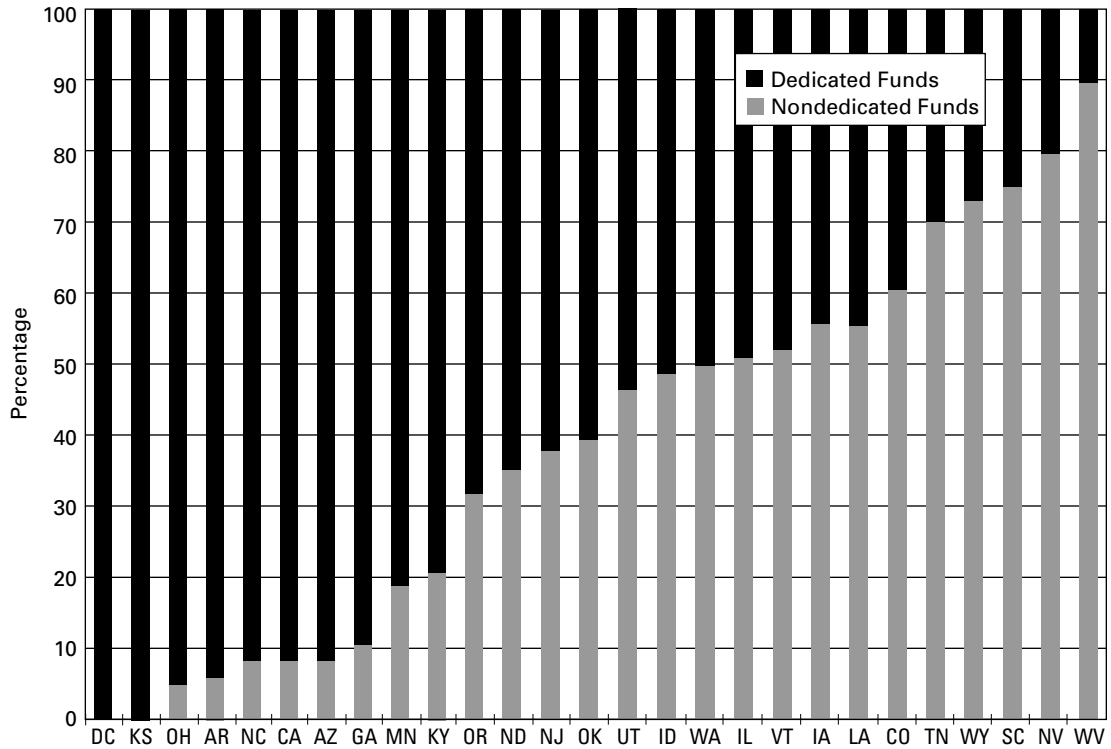
are just beginning to recognize how to leverage funds from the various federal funding streams. In addition, state Medicaid directors may attempt to protect the program from increased spending even if it results in a net decrease in state spending.

## State Child Welfare Spending

Since states are not required to report discretionary expenditures on child welfare services, data on the amount of state dollars used to support child welfare services have so far been limited to the amount states must contribute to match federal allocations under Titles IV-E and IV-B. Title IV-E matching funds represent state dollars expended only for children in out-of-home care or adoption who are eligible for Title IV-E. The cost of providing foster care and adoption services to children not eligible for Title IV-E funds, a cost that states bear alone, is unknown. Similarly, because Title IV-B funds are capped, state dollars used to match Title IV-B allocations do not include funds used to cover



**Figure 9** Comparison of States' Use of Federal Funds Dedicated (Title IV-E) and Not Dedicated (EA, SSBG, Medicaid) for Child Welfare to Pay for Out-of-Home Placement Services



Note: Several states could not provide all of their federal spending; others could not break out reported spending by out-of-home placement or other spending. These states were removed from the figure. See the *Supplemental Report* for data limitations for each state.

the costs of prevention, preservation, and administration services beyond the federal limit.

Based on all available data from the survey, the 51 states spent approximately \$6.4 billion in state funds on child welfare services in SFY 1996. Based on the 39 states that provided complete information on state dollars expended, half of these funds were spent on out-of-home placement of children, and a quarter were allocated to other services (figure 10).<sup>23</sup> The percentage of state funds spent on out-of-home placement also varies by state. At one extreme, Idaho dedicated only 4 percent of state funds to out-of-home costs; at the other, Pennsylvania spent almost 80 percent of state child welfare funds on out-of-home costs.

State dollars spent on out-of-home placement include funds used for children placed in family foster care, residential/group care, shelter care, correctional facilities, and other settings. Although the majority of children are placed in family foster care, survey responses indicated that slightly more state dollars are actually spent on the children placed in residential care than on the

**Table 2** *Example of Differences in Federal Reimbursement Based on \$50 Million in State-Incurred Case Management Costs*

Federal Source Billed	Percent of Child Welfare Population Eligible	Federal Percentage	Federal Reimbursement
Title IV-E	50	50	\$12.5 million
Medicaid	90	50	\$22.5 million

*Note:* The percentage of the child welfare population eligible under Title IV-E in most states averages approximately 50 percent. Under Title IV-E, the federal government reimburses all states for administrative expenses, including case management, at a rate of 50 percent. The percentage of states' foster care population eligible for Medicaid is generally very high, with 90 percent or more of all children eligible in some states. However, federal matching rates vary by state.

children in family foster care (figure 11). This is because of the high per-child cost of residential care compared with family foster care and because therapeutic services, a significant portion of the cost of residential care, are not reimbursed through Title IV-E.

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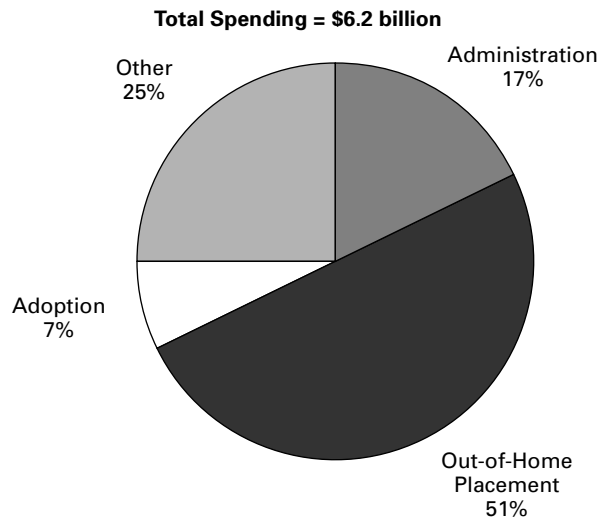
## Local Spending

In most states child welfare services are state-administered, and local governments generally have not been required to contribute funding for child welfare services. But in states with county-administered systems (13),<sup>24</sup> local governments often have been required to provide significant child welfare funding. Even in these states, the local governments' share of child welfare costs varies greatly.<sup>25</sup> In 1994, for instance, officials in Maryland and Alabama reported that county governments were not responsible for any child welfare funding, and counties contributed 30 percent of the total child welfare funds in Ohio and 22 percent in Pennsylvania.<sup>26</sup> In some states with county-administered systems, the individual counties' contribution varies greatly. A 1995 survey of 16 North Carolina counties found that each county contributed an average of 49 percent of child welfare funds, ranging from a low of 7.7 percent to a high of 66.6 percent.<sup>27</sup> The survey also found that such variation exists in Ohio and Pennsylvania as well.

Based on the 43 states that provided the relevant data, local governments spent at least \$1.6 billion on child welfare services in SFY 1996.<sup>28</sup> Overall, 18 states required local governments to pay for a portion of child welfare costs; 15 states reported that local governments provide funds in addition to required amounts. While local funds do not represent a large share of total child welfare spending nationwide, they do represent a significant source of funds in some states and counties. Figure 12 displays data from the 16 states that reported local contributions. As expected, states that rely most on local spending for child welfare are those with county-administered systems.<sup>29</sup> Even among the county-administered states, however, there is significant variation. For example, local funds accounted for more than 35 percent of all



**Figure 10** SFY 1996 State Child Welfare Spending by Expenditure Type



*Note:* N = 39. Administration includes case management, placement services, staff salaries, benefits, and other related expenses (capital costs were excluded). Several states could not break out spending by type. These states were excluded from the calculation. Seven states included local spending in their total state dollars and could not specify the amount for each category. If these seven states are removed, the ratios change slightly: Adoption, 7 percent; Out-of-Home Placement, 48 percent; Administration, 20 percent; and Other, 25 percent.

child welfare spending in three county-administered states (Ohio, Minnesota, and Indiana) but less than 2 percent in two others (Georgia and North Dakota).

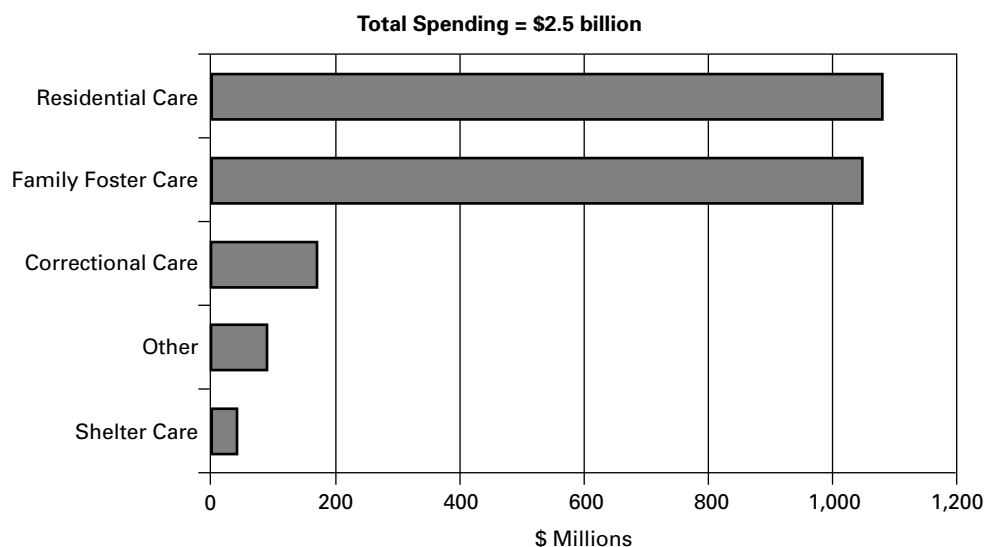
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## Conclusions

Data from the Urban Institute's survey of child welfare expenditures provide new insight into how states differ in their strategies for financing child welfare. The findings reported here provide a baseline for evaluating changes in states' financing that appear likely following federal action to provide states with greater fiscal flexibility. We draw the following major conclusions:

- **Total Child Welfare Spending Is Greater Than Previously Estimated.** According to our survey, states spent at least \$14.4 billion in federal, state, and local funds in SFY 1996. This estimate is 29 percent higher than the highest previous estimate of total child welfare spending and is largely the result of our ability to identify states' use of federal EA, SSBG, and Medicaid funds and the contributions made by local governments. Because we know that our estimate undercounts federal funding for at least 14 states, state spending in 4 states, and local spending in 12 states, the \$14.4 billion estimate is a conservative lower bound.<sup>30</sup>
- **Nontraditional Federal Funding Streams Are More Important Than Previously Assumed.** EA, SSBG, and Medicaid have been important sources of federal funds for child welfare in many states. As a result, the federal government is shouldering more of the financial burden for child welfare

**Figure 11** SFY 1996 State Spending on Out-of-Home Placement by Type of Placement



*Note:*  $N = 31$ . These data are total dollars reported. Several states could not provide complete data for all categories; however, they were included in this calculation to provide the best estimate of minimum spending. Eleven states noted that some of the funds included were local dollars; however, they could not break out these funds. Other states often reported shelter care as part of their residential care costs; therefore, some of the residential spending might go to shelter care. See the *Supplemental Report* for data limitations for each state.

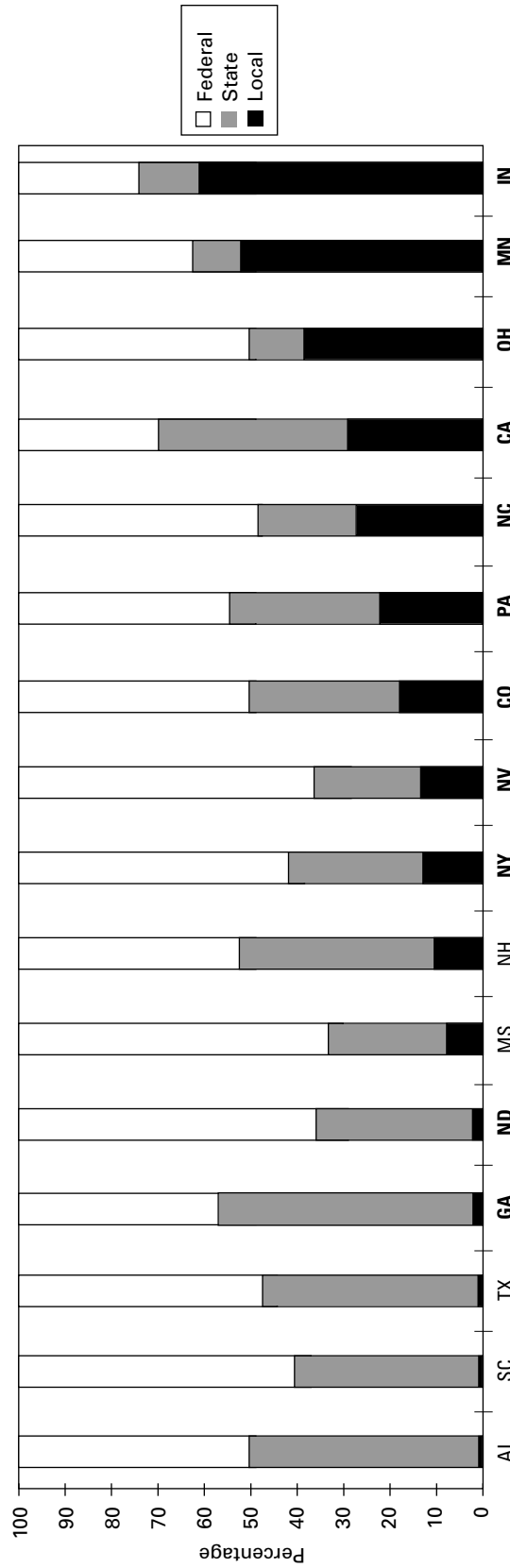
services than previously thought. Before this survey, it was clear that states' use of these funds was escalating, but the role these funds play in enabling states to deliver child welfare services had been drastically underestimated. Moreover, states have used the flexibility of these funding sources to cover costs not covered by dedicated child welfare funding.

- **Financing of Child Welfare Varies Significantly by State.** States' use of federal funding sources varies based on each state's incentives, knowledge, and/or ability to maximize federal funds. This variation is particularly evident in the use of nontraditional federal funds, including EA and Medicaid.<sup>31</sup> Total per capita spending on child welfare also varies across states, even after controlling for differences in child poverty rates.
- **The Cost of Residential/Group Care Placements Is Overwhelming.** While exact data are lacking, experts agree that only a small percentage of children requiring placement outside the home are placed in residential/group care facilities, and these placements can be very expensive. Our finding that more state dollars are spent on children in residential/group care than on children in family foster care suggests either that the average residential/group care placement is extremely costly (largely because of therapeutic services that are not reimbursable under Title IV-E) or that more children than previously estimated are in such placements.
- **There Is Little Funding for Prevention.** Because Title IV-B funds are capped and Title IV-E funds are an entitlement, child welfare experts have long argued that the federal government shortchanges support for prevention of child abuse and neglect and for family preservation services. Many





**Figure 12** Local Child Welfare Spending as a Percentage of Total Expenditures in SFY 1996



Note: States in bold reported that their child welfare agency was county-administered and state-supervised in SFY 1996.

policy-makers have assumed that states have tried to make up for this imbalance by allocating state funds for prevention activities. While we did not ask states to estimate the amount of funds being used specifically for child welfare prevention activities, our results suggest that relatively little state money is being spent on prevention: In looking at state funds only, for example, we found that, for every \$1 states spend on “other services” (including prevention, child protective services, and case management activities), they spend over \$3 covering out-of-home placement, adoption, and administrative costs. In addition, to pay for prevention, states are relying on nontraditional federal funding sources more than previously recognized.

Welfare reform, federal devolution, and internal child welfare changes all have the potential to significantly affect state child welfare agencies’ policies, practices, and financing. We plan to repeat our survey in 1999—collecting data on states’ 1998 child welfare spending to capture funding shifts between levels of governments, new funding sources, and changing federal, state, and local priorities. Comparisons between these two points in time will help us understand how changes in fiscal flexibility affect states’ financing of child welfare services.



# **Appendices**

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# General Directions

*This survey on child welfare fiscal, intake, and kinship foster care issues will help researchers understand future changes in funding and services that states provide for vulnerable children. For comparability across states, please use the definitions listed below to provide the requested data. If your state defines these terms differently, please indicate what programs are and are not included in the answers you provide.*

**Child welfare**—include all of the following services administered by the child welfare agency: preventive services for children and families at risk of abuse or neglect; family preservation and reunification services; child protective services (intake, family assessment, investigation, case management); all in-home and out-of-home supportive services; all out-of-home placements (see definition below); and adoption services.

**Out-of-home placement**—include in and out of state foster family care (see definition below), subsidized guardianship, shelter care, group care, residential care, and independent living. Include children in juvenile facility or correction facility regardless of which agency placed child if placement is funded by child welfare agency.

**Foster family care paid by child welfare**—include all children in: agency and contracted foster homes, specialized foster homes, and kinship or relative foster homes (both paid and unpaid, licensed or approved and unlicensed or unapproved). In addition, this category does not require the removal of a child (e.g., child could already be in a relative home when state takes custody).

**Expenditures**—include expended funds (actuals) spent for the programs, case management, administration and operation of a public child welfare service system. Please include funds contracted out to another public agency, a not-for-profit agency, or a private agency (for services specified in the child welfare definition).



**Please return forms by July 18, 1997.**

*Mail to:*  
Assessing the New Federalism  
Child Welfare Survey  
Attn: *Shelley Waters*  
Urban Institute  
2100 M St. NW  
Washington, DC 20037

*Or Fax*  
(202) 452-1840

# General Information

**1** State: \_\_\_\_\_

**2** Reporting period (State Fiscal Year 1996): \_\_\_\_\_

**3** How is your state's child welfare system structured?:

County Administered, State Supervised

State Administered

**4** Staff completing survey

a. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_  
Section completed \_\_\_\_\_

b. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_  
Section completed \_\_\_\_\_

c. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_  
Section completed \_\_\_\_\_

d. Name \_\_\_\_\_  
Title \_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_  
Section completed \_\_\_\_\_



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(202) 857-8682

**SECTION**

**A**

**GENERAL  
INFORMATION**

**Please provide any clarifications or comments on survey responses below:**

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## Fiscal Data

This section asks states to provide data on all funds expended for child welfare services. There are four main topic areas in section B:

- ▶ Federal Funding
  - ▶ State Funding
  - ▶ Other Funding
  - ▶ Staffing

Please use state fiscal year 1996 (\_\_\_\_\_) when answering these questions.

If you are unable to provide data based on your state fiscal year, then please indicate the time period you are using for the data. If you are unable to provide detailed information about expenditures for each program within a funding stream, please provide total amounts expended for each funding stream.

If you have any questions regarding any of the specific items in this section of the survey, please do not hesitate to call. It is important that we fully understand your state's funding system and the information you are providing in order to ensure that data from your state is not misinterpreted or misrepresented.



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**SECTION  
B  
FISCAL  
DATA**

**1** Please provide the actual amount of IV-E federal funds the state expended in state fiscal year 1996.

IV-E Federal Funds	Total Funds for State FY 1996 (Actuals)
<b>A</b> Total IV-E funds . . . . .	\$ _____
A1 IV-E Foster care maintenance costs . . . . .	\$ _____
A2 IV-E Foster care placement services and administrative costs . . . . .	\$ _____
A3 IV-E Foster care training costs . . . . .	\$ _____
A4 IV-E Foster care SACWIS funding . . . . .	\$ _____
A5 IV-E Adoption assistance payment costs . . . . .	\$ _____
A6 IV-E Adoption nonrecurring costs . . . . .	\$ _____
A7 IV-E Adoption placement services and administrative costs . . . . .	\$ _____
A8 IV-E Adoption training funds . . . . .	\$ _____
A9 IV-E Independent Living costs . . . . .	\$ _____

**2** What was the total Title IV-B funding your child welfare agency expended in state fiscal year 1996? \$ \_\_\_\_\_

2a Out of these total funds for Title IV-B, how much was expended for IV-B part 1 (child welfare services)? \$ \_\_\_\_\_

2b Out of these total funds for Title IV-B, how much was expended for IV-B part 2 (family preservation and family support services)?

\$ \_\_\_\_\_

**3** Please explain other federal funding sources (besides Title IV-E and Title IV-B) which your child welfare agency expended in state fiscal year 1996 for child welfare services. If possible, indicate the amount of each funding stream expended for children in out-of-home placement and the amount expended for other services.

3a *Title XIX Medicaid* (include Medicaid funds expended for child welfare services or for whom child welfare pays the Medicaid matching rate) (e.g., under case management, rehabilitative options, etc.)

Does child welfare agency use Medicaid?

Yes  No

What these funds are used for:

*Children in Out-of-Home Placement*

\$ \_\_\_\_\_

*Other (specify):* \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL**

\$ \_\_\_\_\_

3b *Title XX Social Services Block Grant (SSBG)* (include all state FY 1996 expenditures regardless of the year of appropriation)

Does child welfare agency use SSBG?

Yes  No

What these funds are used for:

*Children in Out-of-Home Placement*

\$ \_\_\_\_\_

*Other (specify):* \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL**

\$ \_\_\_\_\_



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**3c Title IV-A Emergency Assistance**

Does child welfare agency use IV-A Emergency Assistance?

Yes  No

What these funds are used for:

*Children in Out-of-Home Placement*

\$ \_\_\_\_\_

*Other (specify):* \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL**

\$ \_\_\_\_\_

**3d Other federal funding sources transferred into child welfare or used to directly fund child welfare:**  
(e.g., Maternal and Child Health Block Grant (MCHBG); Child Care and Development Block Grant (CCDBG), Children's Justice Act, CAPTA grants, NCCAN grants, Alcohol and Other Drug Abuse (AODA).  
(Specify which funding source.)

Source (specify): \_\_\_\_\_

What funds are used for:

*Children in Out-of-Home Placement*

\$ \_\_\_\_\_

*Other (specify):* \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL**

\$ \_\_\_\_\_

Source (specify): \_\_\_\_\_

What funds are used for:

*Children in Out-of-Home Placement*

\$ \_\_\_\_\_

*Other (specify):* \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL**

\$ \_\_\_\_\_

The next set of questions addresses *State Funds Expended in state fiscal year 1996* (\_\_\_\_\_). If actuals are not available, use your approved cost allocation plan to provide estimated actual expenditures.

**4** What was the total amount of **state funds** expended for child welfare in state fiscal year 1996 (include state funds used to match federal funds and other state funds beyond matching dollars)? \$ \_\_\_\_\_

4a Please indicate what this amount includes:  
 (check all that apply)

State funds used to match federal funds . . . . .

Other state funds beyond federal matching dollars . . . . .

Administrative costs . . . . .

Local or county funds . . . . .

Other (specify) . . . . .

**5** What was the total amount expended in state fiscal year 1996 for child welfare administrative costs (excluding IV-E administrative costs)? (Please include all costs as defined under federal IV-E administrative costs.) \$ \_\_\_\_\_



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**6** What was the amount of state funds (including state match) expended for all out-of-home assistance payments (board and care, but excluding administrative costs) in state fiscal year 1996? \$ \_\_\_\_\_

**6a** Does the amount above include administrative costs? Please indicate. . . . .  Yes  No

**6b** How much of this total state dollar amount did your child welfare agency expend on IV-E eligible children? \$ \_\_\_\_\_

**6c** How much of this total state dollar amount did your child welfare agency expend on **non-IV-E** eligible children? \$ \_\_\_\_\_

**7** Of the total state out-of-home placement costs, how much did your child welfare agency expend in state fiscal year 1996 on the board and care of children in foster family care? \$ \_\_\_\_\_

**7a** How much of this total state dollar amount did your child welfare agency expend on IV-E eligible children? \$ \_\_\_\_\_

**7b** How much of this total state dollar amount did your child welfare agency expend on **non-IV-E** eligible children? \$ \_\_\_\_\_

**8** Please fill out the following table which breaks down **state** child welfare funds in state fiscal year 1996 for all non-foster family care placements by placement type.

Other Out-of-Home Placements (excluding family foster care placements)	Total for State FY 1996
<b>A</b> Total state dollar amount expended on other out-of-home placements ( <i>excluding foster family care but including in and out of state placements</i> ) . . . . .	\$ _____
A1 State dollars expended on shelter care . . . . .	\$ _____
A2 State dollars expended on residential care . . . . .	\$ _____
A3 State child welfare funds expended for all children in a juvenile facility, boot camp, or other correctional facility regardless of which agency placed child . . . . .	\$ _____
A4 State dollars for other placements (please specify). _____	\$ _____

**9** What was the total state dollar amount your child welfare agency expended on out-of-**state** placements for state fiscal year 1996? \$ \_\_\_\_\_

**10** What was the amount of state funds expended in state fiscal year 1996 on adoption expenditures (include adoption assistance payments, administration and training costs, and nonrecurring adoption costs)? \$ \_\_\_\_\_

**11** What other **state** expenditures occurred in state fiscal year 1996 which are part of total state expenditures on child welfare (specify)?

Spending (specify) \_\_\_\_\_ \$ \_\_\_\_\_

Spending (specify) \_\_\_\_\_ \$ \_\_\_\_\_



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The following questions reference *local and other funds* which are utilized in some states.

**12** Did your state have any local or county match requirements for child welfare expenditures in state fiscal year 1996?  Yes  No

**12a** **IF YES**, what was the total amount your state received from counties or localities which represent funds for matching federal or state funding streams for child welfare expenditures? \$ \_\_\_\_\_

**13** In state fiscal year 1996, did counties or localities in your state provide other funds (beyond a match requirement, if applicable) for child welfare services?  Yes  No

**13a** **IF YES**, what was the total amount of non-matching dollars which local child welfare agencies provided for child welfare services? \$ \_\_\_\_\_

**14** In state fiscal year 1996, did your child welfare agency receive any support over \$1 million dollars from any private agency, foundation, or other non-profit funds?  Yes  No

**14a** **IF YES**, then please indicate the dollar amount received and the purpose of this funding:

Direct Services \_\_\_\_\_ \$ \_\_\_\_\_

Planning/reorganization \_\_\_\_\_ \$ \_\_\_\_\_

Other (specify) \_\_\_\_\_ \$ \_\_\_\_\_

**The following questions refer to general staffing information, regardless of funding source (federal, state, or local). We are interested in the number of FTE positions actually filled in state fiscal year 1996. Please exclude positions which were allocated but not expended.**

**15** For all funding sources (federal, state, and local), what was the total number of child welfare employee Full-Time Equivalence (FTE) positions filled in state fiscal year 1996?

\_\_\_\_\_ positions

**15a** For all funding sources in state fiscal year 1996, what was the total number of child welfare employee FTE positions for investigation workers?

\_\_\_\_\_ positions

**15b** For all funding sources in state fiscal year 1996, what was the total number of child welfare employee FTE positions for all other workers? (Please break out any categories within "other workers" below.)

\_\_\_\_\_ positions

Other (specify): \_\_\_\_\_

\_\_\_\_\_ positions

Other (specify): \_\_\_\_\_

\_\_\_\_\_ positions



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## Appendix B: Methodology and Analysis

To gather data on child welfare financing across the states, the Urban Institute designed and implemented a national survey that was mailed to participants and supplemented with extensive phone follow-up. We collected state fiscal year (SFY) 1996 expenditure data during summer and fall 1997. We plan to repeat the survey in 1999, collecting SFY 1998 expenditures. Overall, we designed the survey to meet these specific goals:

- To collect detailed information on state child welfare expenditures before welfare reform.
- To list expenditure data by the source of funds (federal, state, or local) and to break out federal expenditures by source.
- To report data on funds used for out-of-home placement and, to the extent possible, adoption and administration expenditures.

### Survey Design

In designing our survey, we had to clearly define our child welfare terminology. Specifically, we had to define which funds we would count as “child welfare” expenditures and which funds we would not. Ensuring standard definitions was difficult because child welfare programs, policies, and services vary across states. One state’s definition of child welfare services might differ significantly from another state’s definition; thus, the expenditures reported would not be comparable. Therefore, the survey outlined commonly used terms, listing the services and programs to be included by states. For instance, we defined the term “child welfare” as follows:

**Child Welfare**—preventive services for children and families at risk of abuse or neglect; family preservation and reunification services; child protective services (intake, family assessment, investigation, case management); all in-home and out-of-home supportive services; all out-of-home placements; and adoption services.

Relevant expenditures under Medicaid, the Social Services Block Grant (SSBG), and Title IV-A Emergency Assistance (EA) were particularly hard to define, since states use these federal sources to fund a variety of services and programs. Uniform data collection depended on respondents’ careful attention to the intent and scope of our data collection effort. We wanted to capture child welfare expenditures—funds expended by the child welfare program in the state—rather than funds spent by any agency on a child who happens also to be in the child welfare system. Medicaid expenditures, for example, were defined as dollars that were “expended for child welfare services or for whom child welfare pays the Medicaid matching rate (e.g., under case management, rehabilitative

options, etc.).” This meant that funds spent on a child who happened to be in the child welfare system (e.g., Medicaid health services provided and funded by the state Medicaid office) were not included in the total, but optional health services (e.g., counseling or case administration when obtaining treatment services for mental health problems) provided by the child welfare agency for children in its care were included. Many states, especially those that operate child welfare services under a larger umbrella agency, had difficulty separating dollars spent on child welfare services from other agency services for these federal funding streams, which are often used to fund a variety of social services.

In addition, we established several other general data parameters to ensure consistency across states. First, the survey requested actual expenditures rather than appropriations, because expenditures provide a more accurate measure of program costs from year to year. The survey collected fiscal information by state fiscal year, a time frame for which data are more readily available in most state offices than federal fiscal year or calendar year expenditures. States were also asked to separate state funds from local funds whenever possible.

Based on these definitions and parameters, we devised a comprehensive written survey for child welfare administrators. Surveys were sent to the director or commissioner of the child welfare agency in each state, who then assigned them to the appropriate fiscal staff. Because each state’s interpretation of our questions would still vary, we conducted extensive phone follow-up interviews with the assigned respondent to ensure that the data were as close as possible to our standardized terms. Not surprisingly, as we conducted this follow-up, states revised or clarified the reported data. For example, when we contacted one state, officials noted that most of the state funding reported in the survey was actually part of a grant given to the state’s counties. These grants funded not only child welfare services but also services for those with developmental disabilities, substance abuse treatment, and services for the elderly. State officials could not determine how much of this total grant amount was devoted to funding child welfare, because these decisions were made by counties, and the state did not require counties to report how the funds were spent. Officials estimated the minimum amount of state funds spent on child welfare services, which we used in our analysis. In such instances we have noted that estimated totals represent the minimum amount known to be spent. In the example above, phone follow-up prevented us from overestimating the state’s child welfare expenditures. In general, the detailed information allowed us to fully understand reported data and avoid misrepresentation of responses provided by states.

The survey contained three main fiscal sections. The first section collected data on all federal funds spent by a state’s child welfare system. Questions regarding federal data broke down all federal expenditures by categorical funding source. The survey gathered information on funding directly associated with child welfare (i.e., Title IV-E, Title IV-B, and Child Abuse Prevention and Treatment Act funds), as well as on indirect funding streams such as Medicaid, EA, and the Child Care and Development Block Grant (CCDBG).

In addition to detailing federal spending by source, the survey differentiated spending by function, including out-of-home placement and expenditures for other purposes. While more specific information on child welfare spending for other purposes (e.g., primary prevention, family preservation, and reunification) would have been useful, most states could not provide reliable estimates on other specific uses of funds.

The second fiscal section asked for data on state expenditures. In most states, these funds include state dollars spent to match federal funds, state dollars expended above this match (which are often used to provide services for children not covered by federal funds), administrative costs, and any additional state funds earmarked for the child welfare system. We also asked for total state spending by function: foster care, other out-of-home placement (i.e., shelter care and residential care), adoptions, and all other state expenses.

Questions related to local and private funds used in child welfare comprised the third fiscal section of the survey. States reported whether local entities were required to provide matching funds for any state or federal funds and, if so, how much local funding was spent for this purpose. We also asked states to report any local spending beyond match requirements. Finally, states listed any funding in excess of \$1 million that they received from private or nonprofit sources. Only one state cited private contributions in excess of \$1 million.

In May 1997, we sent drafts of the survey and the definitions used to guide respondents to three experts in the field of child welfare research and four state child welfare agency respondents. In conducting this informal pilot test, we asked reviewers not to fill out the survey but to analyze the questions and help anticipate responses and problems that might arise. Many of the state respondents gathered comments from their fiscal experts to report problems with budget and fiscal questions. Together with the expert reviewers, the pilot group helped pinpoint problematic terminology and confusing questions.

## **Data Collection and Analysis**

By June 24, 1997, all surveys were mailed to initial state respondents. Respondents were asked to return the survey by July 18, 1997; however, most states needed additional time to complete the fiscal section. Initial phone contact started on July 7, with Urban Institute staff calling to ensure that the state had received the survey, to answer any questions, and to obtain contact names of the state staff members responsible for working on the fiscal section.

Data collection continued through the summer and into the fall of 1997. As surveys were received, staff analyzed responses, checked for inconsistent data, ensured that subtotals yielded accurate totals, and verified definitions and terms used by respondents. Researchers worked extensively to analyze any other published sources of data (e.g., state budgets, the House Ways and Means Committee's *Green Book*, and the Child Welfare League of America's *Stat Book*) to ensure that reported totals were consistent with other fiscal information. In



addition, using the totals reported for federal Title IV-E, Title IV-B, and Medicaid expenditures, we calculated every state's total match requirement. We then used this total as a "minimum state spending figure" (minimum because most states spend money beyond their federal match) and compared this amount to reported total state expenditures.

As part of this analysis, we often faxed letters to state respondents requesting that they clarify their survey responses. These faxes were answered by telephone, and follow-up continued until we were confident that the figures represented the most accurate data available. The data were then entered into a Microsoft ACCESS database for tracking and further analysis.

### **Addressing Study Limitations**

Throughout the design and implementation of the Child Welfare Survey, we worked to address certain inherent data limitations. First, for some states, information was simply not available in the detail we requested. Table B.1 summarizes the information states were able to provide. In addition, data systems and accounting practices vary from state to state; therefore, the quantity and quality of expenditure data also vary. States sometimes provided estimates instead of detailed expenditure information.

Results from state child welfare programs are often difficult to compare across states because of the variation in organizational structures, child welfare policies, and program structures. By developing standard definitions, we attempted to overcome this limitation and provide some level of reliable information that might be cautiously examined across states. However, comparisons from one state system to another do not account for differences in more detailed terms used by child welfare agencies. How a state defines "abuse" and "neglect" as well as its philosophy and methods of responding to incidents of maltreatment may explain varying funding levels for child welfare systems across states.

Comparisons of expenditures across states can also present difficult problems when the demand for services across jurisdictions is not taken into account. For example, the caseloads of child welfare workers, staff resources, and the fiscal climate in state government all influence expenditures. Moreover, researchers have yet to fully understand a number of other indicators affecting the demand for services that influence each state's program, its size, and its funding. Therefore, we compare states using ratios and percentages of spending rather than comparing overall dollar amounts to control for fiscal differences that reflect varying state size and agency capacity.

**Table B.1** *Summary of Data Provided by States*

Data Item	Number of States Providing Data	Missing States (Missing Data)
<b>Total Spending Amounts</b>		
Some data	49	Virginia and Hawaii.
Majority of state spending	47	Hawaii, Michigan, New Mexico, Virginia. ( <i>Note:</i> Connecticut and New Hampshire could not estimate funds used for administrative costs.)
Minimum spending from all federal sources (some states could not identify spending from one or more federal sources)	42	Alaska (XX, XIX), Arizona (IV-B), Connecticut (XX), Delaware (EA), Hawaii, Michigan, Nebraska (XX), Virginia, Wisconsin (XX).
All federal spending (some states provided only minimum estimates of some federal funds)	37	Alaska (XX, XIX), Arizona (IV-B), Colorado (XIX), Connecticut (XX), Delaware (EA), Hawaii, Michigan (XIX, XX), Missouri (XIX), Montana (EA), Nebraska (XX), New Hampshire (XIX), South Dakota (other), Virginia, Wisconsin (XX).
Some local spending	43	Hawaii, Iowa, Maryland, Michigan, Montana Oregon, Virginia, Wisconsin. ( <i>Note:</i> California, Nevada, New York, North Dakota, and Texas, reported only minimum local expenditures.)
All child welfare spending (some states could not provide all local funds)	33	Alaska, Arizona, Colorado, Connecticut, Delaware, Hawaii, Iowa, Maryland, Michigan, Missouri, Montana, Nebraska, New Hampshire, New Mexico, Oregon, South Dakota, Virginia, Wisconsin.
<b>Spending by Category</b>		
All federal, state, and local funds	31	All states that could provide total spending could identify spending by level of government.
All out-of-home placement, other, and adoption spending	17	Most states could not categorize one or more funding sources by the type of child welfare service funded.
All state spending on out-of-home placement, other, administration, and adoption	39	Several states could not identify all spending on out-of-home placement. Seven of these states included local dollars in their state dollar amounts.
All state spending on different types of placement	31	Several states could not differentiate spending on different types of placement. Some states that could not identify spending on one type of placement setting are included in the 40 states analyzed.

*Note:* XIX = Title XIX (Medicaid); XX= Title XX (Social Services Block Grant); EA = Emergency Assistance; IV-B = Title IV-B, parts 1 and 2.



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## Appendix C: Federal Programs Funding Child Welfare

The Social Security Act (SSA) defines the primary sources of federal funds specifically allocated to states for child welfare activities.

*Title IV-B:* Title IV-B, part of the original act passed in 1935, provides formula grants to states to establish, extend, and strengthen child welfare services. Title IV-B provides states with 75 percent matching funds for child welfare services, including family preservation and support, up to a capped amount.

*Title IV-E:* Federal assistance to states to help defray the costs of foster care maintenance payments first became available in 1961 under Title IV-A of the SSA as part of the Aid to Dependent Children program. Legislative authority for the federal foster care program was transferred to Title IV-E of the SSA as a result of the Adoption Assistance and Child Welfare Act of 1980. Title IV-E provides an open-ended entitlement program to states for foster care and adoption assistance payments, administration, and training; a capped entitlement for independent living services; and, most recently, funds for the development of automated information systems for child welfare. The matching requirements for Title IV-E vary by the type of service funded, and within some services the states' required contribution is identical to their Medicaid matching rate (which also varies by state) established by the federal government.

States also fund child welfare activities using a variety of federal funding sources not specifically targeted for child welfare services. While specific information has been lacking, there has been some anecdotal evidence that states have recently increased their use of three large federal funding streams for child welfare services: Emergency Assistance (EA), Social Services Block Grant (SSBG), and Medicaid.

*Emergency Assistance:* The Emergency Assistance program was eliminated as a result of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and the funds for the program were rolled into the Temporary Assistance for Needy Families (TANF) block grant. The EA program was an open-ended entitlement program with a federal match rate of 50 percent. States identified eligible populations in their state plans that were approved by the federal government. Although the program was authorized in 1967, fewer than half the states operated EA programs before 1980. By 1995, all states except Alaska and Mississippi offered EA, and all states that operated an EA program included abused and neglected children as eligible EA recipients. Federal government reports suggest that states' use of EA for child welfare began around 1993 and likely contributed to the more than sevenfold increase in EA expenditures that occurred between 1990 and 1995 (*1998 Green Book*). States were given wide latitude to fund a variety of child welfare activities through EA, including services for prevention, family reunification, counseling, parenting education, case management, in-home family services, and crisis intervention. States have also been able to use EA funds for activities not reimbursable under

Title IV-E. For example, states have used EA funds to cover the costs associated with foster care for children not eligible for Title IV-E, for placements in for-profit child care institutions, and for preplacement services and administrative expenses. States have also used EA funds for services covered under Title IV-B because federal reimbursement under Title IV-B is capped.

*Social Services Block Grant:* Title XX of SSA, often referred to as the Social Services Block Grant (SSBG), is a capped entitlement program. Funds are allocated to states on the basis of total population, and no state match is required. States are given wide discretion to determine the services funded by SSBG and the eligible population. States may use SSBG funds for a variety of child welfare–related activities, including preventive, protective, foster care, and adoption services. Total SSBG funding, \$2.5 billion in 1997, has not increased since 1989, and was cut 8 percent in fiscal year (FY) 1998 and another 17 percent in FY 1999, reducing funds to \$1.9 billion.<sup>32</sup>

*Medicaid:* Title XIX of SSA, enacted in 1965, authorizes the Medicaid program of federal matching grants to assist states in providing medical services to low-income persons and other needy children and families. Within federal guidelines, states design and administer their own programs, determining which optional groups to make eligible for Medicaid and what optional services to provide. While all children receiving Title IV-E foster care and adoption assistance payments and many other children involved in the child welfare system are eligible for Medicaid health services, states can also use Medicaid to fund some services provided by the child welfare agency. Most Medicaid-funded child welfare activities have been provided through two optional services: targeted case management and rehabilitative services. Targeted case management services are defined as services that assist eligible individuals in gaining access to needed medical, social, educational, and other services. Thus, if a child welfare worker assists a Medicaid-eligible person in accessing such services, the worker’s time can be reimbursed through Medicaid. Rehabilitative services are defined as medical or remedial services recommended by a physician or other licensed practitioner for maximum reduction of physical or mental disability. If, for example, a child welfare worker provides or arranges counseling services for a Medicaid-eligible person, the service can be reimbursed through Medicaid.

*Other Federal Sources:* In addition to Titles IV-B and IV-E, a variety of small federal discretionary grant programs are targeted for specific child welfare populations or activities. These programs are listed in table C.1. There are also other federal funding streams besides EA, SSBG, and Medicaid that states can use to fund child welfare services. To date, very little information is available on states’ use of these funds. For example, many states have set aside a portion of their Child Care and Development Block Grant to provide respite care for foster and adoptive parents and to ensure that children are supervised when parents involved with the child welfare system attend counseling sessions or access other services mandated by their case plans. Some states also use portions of their Community Mental Health Services; Children’s Mental Health;



<b>Table C.1</b> <i>Federal Discretionary Grant Programs Targeted for Child Welfare Services</i>	
Program	1996 Obligations (\$ millions)
<b>Department of Health and Human Services Grant Programs</b>	
Runaway and Homeless Youth	44
Child Abuse and Neglect State Grants	21
Child Welfare Research and Demonstration	15
Child Abuse and Neglect Discretionary Activities	14
Abandoned Infants	12
Adoption Opportunities	11
State Court Improvement Program	10
Temporary Child Care and Crisis Nurseries	10
Children's Justice Act Grants to States	9
<b>Department of Justice Grant Programs</b>	
Victims of Child Abuse	11
Missing Children's Assistance	4
Children's Justice Act Discretionary Grants for Native Americans	2
<b>Department of Interior, Bureau of Indian Affairs Programs</b>	
Indian Social Services—Child Welfare Assistance	21
Indian Child Welfare Act	18
<b>Department of Education Programs</b>	
Title I Program for Neglected and Delinquent Children	39
<b>Total</b>	<b>241</b>

Source: 1997 Catalog of Federal Domestic Assistance.

and Alcohol, Drug Abuse, and Mental Health block grants to provide behavioral health care and substance abuse treatment services to children in residential care settings. States have used portions of their Community Services and Community Development block grants to support child abuse prevention programs in areas of high and persistent poverty. Many states have also set aside job training, housing assistance, family planning, and Maternal and Child Health funds for families in the child welfare system.

*Aid to Families with Dependent Children:* States have used Aid to Families with Dependent Children (AFDC) funds to support children who have been removed from their parents' homes and placed with relative or kinship caretakers. In some states, the child welfare agency does not require a relative provider to be licensed as a foster parent. In some of these states, relative caretakers are not provided foster care payments, but rather are encouraged to apply for financial assistance through AFDC to cover the costs of raising related children.<sup>33</sup>



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## Notes

1. A copy of the survey is included in appendix A. The methodology used to design the survey, collect the data, and analyze the results is described in appendix B.
2. U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book*, Washington, DC, 1998.
3. Like many block grants, these waivers provide states with increased fiscal discretion and increased flexibility in determining who is eligible for services. However, unlike most other grants, states granted Title IV-E waivers have to maintain the entitlement funds for previously eligible children and must continue to ensure that general protections for these children are upheld.
4. For a detailed discussion of the effects of PRWORA on child welfare financing, see Rob Geen and Shelley Waters, *The Impact of Welfare Reform on Child Welfare Financing* (Washington, DC: The Urban Institute, 1997).
5. U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book*, Washington, DC, 1996.
6. Ching-Tung Wang and Deborah Daro, "Current Trends in Child Abuse Reporting and Fatalities: The Results of the 1997 Annual 50-State Survey," Working Paper 808. The Center on Child Abuse Prevention Research Web site: <http://www.childabuse.org/50data97.html>. See also David Wiese and Deborah Daro, "Current Trends in Child Abuse Reporting and Fatalities: The Results of the 1994 Annual 50-State Survey," <http://www.vh.org/Providers/Societies/NCPCA/Factsheet.html>.
7. *1996 Green Book*.
8. Douglas Besharov with Lisa Laumann, "Don't Call It Child Abuse if It's Really Poverty," *Journal of Children and Poverty*, 1997 (estimates federal and state expenditures for child protection programs and associated foster care services at \$6 billion in 1997); The Edna McConnell Clark Foundation as cited in John Fluke, Carol Harper, and Carol Wahlgren, "A Fiscal Analysis of Subsidized Guardianship," *Protecting Children*, Vol. 13, No. 3 (1997), The American Humane Association (estimated 1993 total foster care expenditures at \$9 billion); Child Welfare League of America, *A Look at the States*, 1998 (estimated total FY 1996 child welfare spending at just under \$10 billion, based on data from 42 states); Mark Courtney, "The Costs of Child Protection in the Context of Welfare Reform," in *The Future of Children*, Vol. 8, No. 1 (Spring 1998), The David and Lucile Packard Foundation, Center for the Future of Children, p. 93. Courtney's estimate of \$11.2 billion for FY 1995 is based only on estimates of federal and state child welfare spending (local dollars are not accounted for).
9. Mark Courtney, "Welfare Reform and Child Welfare Services," *Child Welfare in the Context of "Welfare Reform"* (New York: Cross-National Studies Program, Columbia University School of Social Work, 1997).
10. For administrative costs, we asked states to use the broad definition used by Title IV-E for placement and administrative costs. Examples of services included in this definition are "referral to services, preparation for and participation in judicial determinations, placement of the child, development of the case plan, case reviews, case management and supervision, recruitment and licensing of foster homes and institutions, rate setting, and a proportionate share of agency overhead," as cited from the *1996 Green Book*.
11. See separate state data in the *Supplemental Report* for a full discussion of data limitations.
12. Two states (Michigan and New Mexico) could not give us estimates of total state spending. We used their total federal expenditures to calculate their required state match and included these expenditures in our estimate. Minnesota provided expenditure data based on the 1996 calendar year.
13. Only 17 states could provide complete information on total spending and could categorize all funds spent. In these states, 50 percent of those funds were spent on out-of-home placement, 7 percent on adoption, and 43 percent on all other services.

14. Total exceeds 100 percent due to rounding. These figures are for states that could supply expenditures for all federal dollar amounts used, all state dollars (including administrative costs), and all local dollars spent directly by the child welfare agencies within that state. Among the 33 states with complete information were 10 states with county-administered child welfare systems, which may have overestimated the average share of the total contributed by local government.
15. One factor influencing states' use of federal funds is their federal Medicaid Matching Rate, the rate at which the federal government reimburses states for Medicaid and Title IV-E foster care and adoption assistance expenses. Federal Medicaid Matching Rates range from 50 percent to 77.09 percent.
16. These data include 14 states that could not provide complete information but did identify the majority of their state and federal spending. Therefore, these average percentages are our estimates. A separate report including a complete description of what each state includes or excludes in its federal and state expenditures is available upon request. That report also provides a brief summary of each state's child population and child welfare caseload as well as state-specific funding information.
17. Leroy H. Pelton, "The Myth of Classlessness," *American Journal of Orthopsychiatry*, October 1978, pp. 608–616; Robert L. Hampton and Eli H. Newberger, "Child Abuse Incidence and Reporting by Hospitals: Significance of Severity, Class, and Race," *American Journal of Public Health*, Vol. 75, No. 1 (1985), pp. 1352–1358; Noel A. Cazenave and Murray A. Straus, "Race, Class, Network Embeddedness and Family Violence," *Journal of Comparative Family Studies*, Vol. 10, No. 3 (1979), p. 282.
18. Additional information about these and other federal child welfare programs is included in appendix C.
19. Office of the Inspector General, Department of Health and Human Services, *Review of Rising Costs in the Emergency Assistance Program*, October 1995; Center for the Study of Social Policy (CSSP), *Leveraging Dollars, Leveraging Change: Refinancing and Restructuring Children's Services in Five Sites*, Washington, DC, CSSP, 1991; Neal Halfon and Linnea Klee, "Health and Development Services for Children with Multiple Needs: The Child in Foster Care," *Yale Law and Policy Review*, Vol. 71 (1991); Judith Meyers, "Financing Strategies to Support Innovations in Service Delivery to Children," *Journal of Clinical Child Psychology*, Vol. 23 (1994). Note that Title IV-A EA was eliminated under PRWORA in 1996.
20. Many of the states left out of this calculation noted that they used EA, SSBG, or Medicaid funds but could not estimate expenditure amounts.
21. Only 17 states could provide complete information on federal spending and could categorize all funds expended. These states spent 54 percent on out-of-home placement, 7 percent on adoption, and 39 percent on all other services.
22. In 1996, Title IV-E was amended to allow states to use these funds to pay for-profit institutions.
23. Several states could not classify expenditures by out-of-home placement, administration, adoption, or other expenditures. Many states included local funds in their state estimates and could not break them out. These states were excluded from the state spending analysis.
24. Twelve states identified themselves as county-administered in response to the Urban Institute survey. In addition, Virginia is included in this total. While the state did not respond to our survey, it has previously identified itself as county-administered. Other studies have identified additional or fewer states as county-administered.
25. States defined their own systems as being either state-administered or county-administered and state-supervised.
26. Previous studies have classified Alabama as a county-administered system; however, in responding to our survey, Alabama officials identified it as state-administered.
27. *North Carolina Child Welfare System Study*, prepared for State Division of Social Services, Department of Human Resources of the State of North Carolina, 1995.

28. Minnesota and New York noted that they could not identify all local funds spent on child welfare services, and many other states noted that localities may be providing additional funds without the state's knowledge.
29. Twelve states identify themselves as county-administered and state-supervised.
30. Funds are undercounted because states could not identify all federal, state, and local funds expended.
31. As previously noted, in 1996, Title IV-A EA was eliminated and rolled into states' TANF block grants. Therefore, 1996 was the last year states were able to utilize this nontraditional funding source for child welfare services.
32. U.S. House of Representatives, Appropriations Committee, "Omnibus Negotiators Approve FY99 Labor-Health Spending Bill," October 18, 1998, <http://www.house.gov/Appropriations/pr99lacf.html>.
33. The Urban Institute survey used to collect child welfare fiscal data also gathered information on state policies and financing practices for kinship care. Results from this portion of the survey will be analyzed and presented in a forthcoming paper (early 1999).



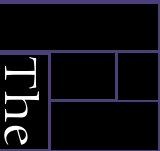
# About the Authors

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*Rob Geen* is a research associate in the Urban Institute's Population Studies Center, specializing in child welfare and related child, youth, and family issues. He directed the Child Welfare Survey, which collected fiscal data from states and asked states to describe the extent to which they screen reports of abuse and neglect before investigation, and their policies, use, and financing of kinship care. Subsequent Urban Institute papers will summarize these data. Mr. Geen is also leading other child welfare-related research conducted as part of the *Assessing the New Federalism* project, such as evaluating the effects of welfare reform on vulnerable families in California.

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