Caring for Children

FACTS AND PERSPECTIVES

BRIEF NO. 1

THE COST OF PROTECTING VULNERABLE CHILDREN

Central Issues

Until now, there has been no systematic accounting of the amount and source of child welfare spending across the nation.

State child welfare agencies provide a safety net for abused and neglected children and prevent at-risk youngsters from being harmed. Within federal guidelines, state and local governments are responsible for investigating reports of abuse and neglect, protecting children who need to be temporarily or permanently removed from their homes, and working with young people and their parents to keep families intact.

Since 1997, the Urban Institute has collected data on child welfare spending in all 50 states and the District of Columbia. This difficult collection effort is particularly important in light of states' tightening fiscal situations and recent legislative changes.

The Funding Picture

In state fiscal year (SFY) 2000, states spent at least $20 billion on child welfare services, with $9.9 billion coming from federal funds, $7.9 billion from state sources, and $2.2 billion from local governments.[1] The $20 billion is 20 percent above spending in SFY 1998. Of the 45 states that provided complete data for SFY 1998 and SFY 2000, 41 reported an increase in total spending.

Federal funding grew by 25 percent between SFY 1998 and SFY 2000, increasing the federal share of total spending from 45 to 49 percent. Although the use of state funds increased 18 percent in this period, the state share of total spending declined from 42 to 39 percent. Similarly, local funding increased by 9 percent, but its share of total spending declined from 13 to 11 percent.

Of the $20 billion spent in SFY 2000, states spent $15.7 billion in four key areas:[2]

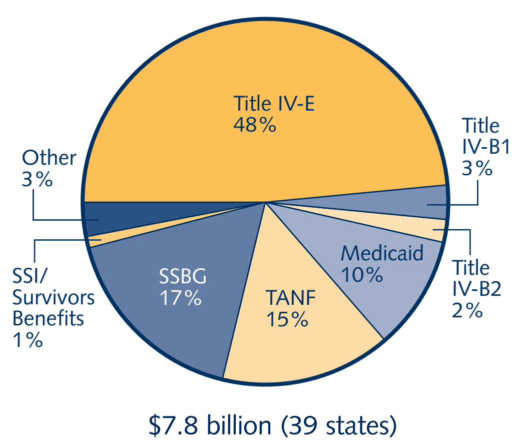
- *Out-of-home placements.* States spent at least $9.1 billion on room and board and supportive services for children.
- *Adoptions.* At least $1.9 billion went to adoption-related activities, including recruitment, training, and subsidies.
- *Administration.* At least $1.8 billion was spent on administration.
- *Other services.* States spent at least $2.9 billion to maintain children in their homes, to investigate reports of abuse and neglect, and to finance other support services.

In SFY 2000, 30 federal programs supported child welfare activities, with Titles IV-B and IV-E of the Social Security Act the two largest dedicated funding streams (figure 1). Many states also rely on three federal programs not dedicated to child welfare purposes: the Social Services Block Grant (SSBG), Medicaid, and the Temporary Assistance for Needy Families (TANF).[3] These three totaled 42 percent ($4 billion) of all federal spending in SFY 2000.

Legislative History and Impact

In the mid-1990s, two federal laws brought about significant changes in how states pay for and prioritize child welfare services: the welfare-overhauling Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and, a year later, the Adoption and Safe Families Act (ASFA).

FIGURE 1: Federal Child Welfare Spending by Source, SFY 2000



Source: 2001 Urban Institute Child Welfare Survey.
Note: SSBG includes transferred TANF funds.

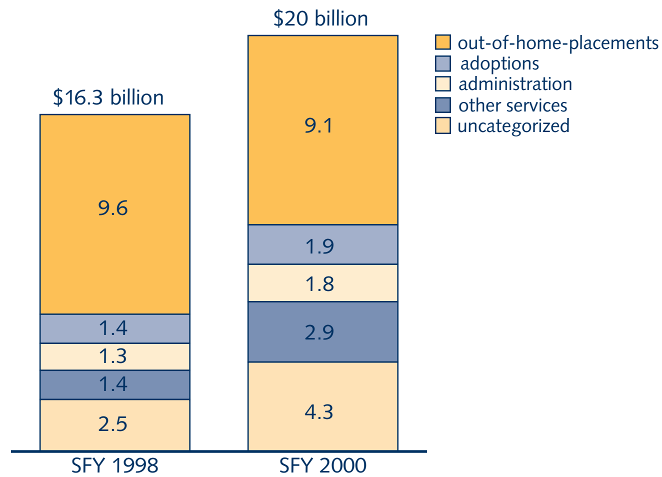
PRWORA created the TANF block grant, which gave states more flexibility in allocating federal funds among traditional welfare-related activities, child welfare services, and other assistance programs that meet the purposes of the block grant. It also folded the Emergency Assistance program, which states used for an array of child welfare activities, into TANF; reduced SSBG by 15 percent; and tightened children's eligibility standards for the Supplemental Security Income (SSI) program.

Since the reforms, states mostly have relied on TANF to absorb the declines in other federal funds. In SFY 2000, states expended at least $2.3 billion of the $16.5 billion in TANF funds on child welfare services, a $1.4 billion increase over SFY 1996. States expended $897 million in pure SSBG funds in SFY 2000, a 19 percent decline from SFY 1996.[4] Between SFY 1998 and SFY 2000, SSI expenditures on children in out-of-home placements declined 16 percent to $73 million.

ASFA, passed in 1997, placed greater emphasis than prior laws on ensuring children's safety in determining and delivering child welfare services. It shortened the time frames for finding children a permanent home, either by returning them to their original home, placing them with a permanent legal guardian, or finding these children an adoptive home.

Both the ASFA mandates and the influx of TANF dollars led to shifts in states' spending priorities. Between SFY 1998 and SFY 2000, the largest increase was for "other services" to prevent child abuse and neglect, investigate reports of abuse and neglect, and maintain children in their own homes (figure 2). This category grew by $1.5 billion, more than double the amount in SFY 1998. Spending on adoptions increased by more than $500 million, while expenditures on children in out-of-home placements remained relatively stable.

FIGURE 2: Changes in Overall Child Welfare Spending



Source: 1999 and 2001 Urban Institute Child Welfare Surveys.
Note: Data are adjusted for inflation and presented in SFY 2000 dollars. Totals may not add up because of rounding.

Policy Implications

Child welfare financing in SFY 2000 benefited from a brighter fiscal picture: States had greater access to some federal funds, the economy and state revenue collections were booming, and child welfare spending to prevent foster care placements increased. But child welfare financing is already changing in many states. The last quarter of SFY 2002 was the fourth consecutive quarter of declining state revenues, and most states have already cut social services.[5] Also, many state child welfare administrators report that TANF funding for child welfare services declined in SFY 2002, and they expect it to fall again in SFY 2003.

This new fiscal picture could threaten recent strides made in enhancing child welfare services. State and federal legislators need to be aware of the fiscal constraints facing child welfare agencies. As the budget ax continues to fall, the full effects of welfare reform and ASFA on child welfare financing remain to be seen.

Data Sources and Further Details

These findings are based on the 1997, 1999, and 2001 Urban Institute Child Welfare Surveys. For the latest report, see *Assessing the New Federalism* Occasional Paper 61, *The Cost of Protecting Vulnerable Children III* by Roseana Bess, Cynthia Andrews, Amy Jantz, Victoria Russell, and Rob Geen, Washington, D.C., Urban Institute, 2002.

Endnotes

[1] Some states could not provide all the data requested; therefore, the findings are the minimum total child welfare spending.

[2] The variety of accounting methods states use to track their spending means that some states were not able to categorize all expenditures according to the Urban Institute's uniform categories.

[3] States were asked to provide Medicaid spending on targeted case management and rehabilitative services only. Spending on routine health care was excluded.

[4] Under PRWORA, states may transfer a limited amount of funds from the TANF block grant to SSBG. We report such transferred funds as TANF expenditures. In federal FY 2000, SSBG was funded at $1.775 billion.

[5] Carey, Kevin. 2002. *States Cut Spending in FY 2002 and FY 2003, Additional Cuts Likely Unless New Revenues Are Raised.* Washington, D.C.: Center on Budget and Policy Priorities; Jenny, Nicholas W. 2002. *State Tax Revenue Decline Accelerates.* Albany, NY: Rockefeller Institute of Government.

Acknowledgment

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