Title IV-E

Child welfare agencies across the United States protect and promote the well-being of children and youth who are at risk of, or have been found to be victims of, maltreatment. This work is expensive: a total of $29.1 billion in federal, state, and local funds was spent nationwide in state fiscal year (SFY) 2014. States rely on multiple funding streams for this work, each with its own unique purposes, eligibility requirements, and usage limitations. This complex financing structure determines what services are available to children and families, which approaches are used, and the way that child welfare agencies operate. To understand the challenges and opportunities that child welfare agencies face, it is therefore critical to understand how their work is financed.

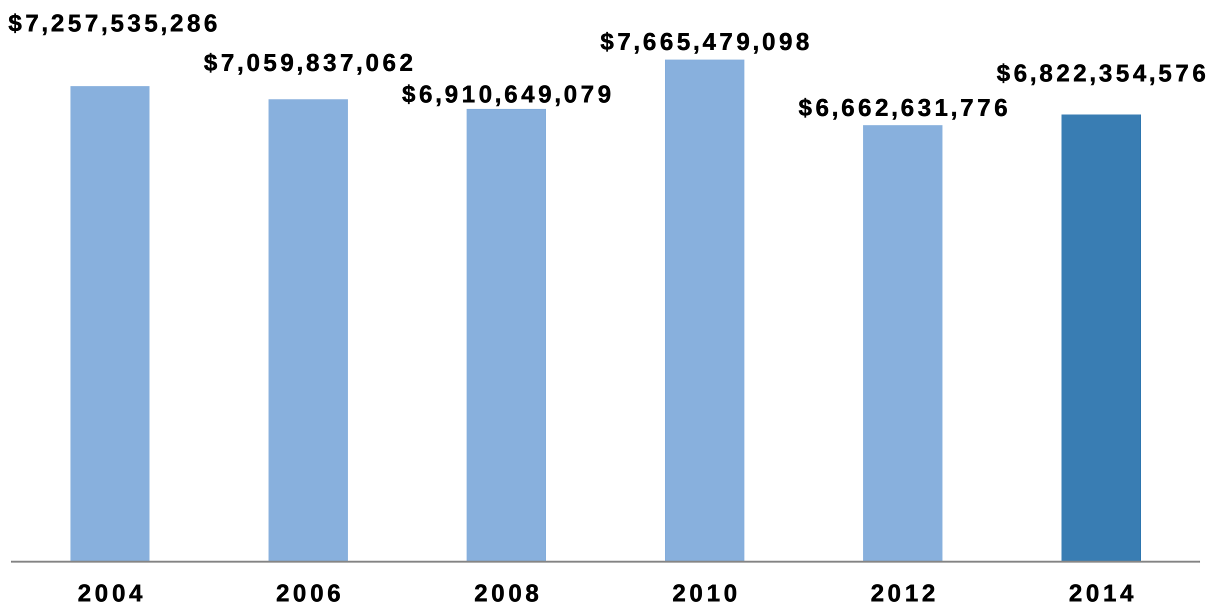
This document presents information about Title IV-E spending by child welfare agencies in SFY 2014, collected through Child Trends' national survey of child welfare agency expenditures.[1] It is part of an array of child welfare financing resources, available on the Child Trends website, including a summary of national findings and factsheets that provide more detail on each major funding source.

Background

In SFY 2014, states reported spending $12.8 billion in federal funds on child welfare activities. The largest proportion of federally-funded activities came from Title IV-E of the Social Security Act, which is composed of the Foster Care, Adoption Assistance, Guardianship Assistance, and Chafee Foster Care Independence programs, and the current waiver demonstration projects. Each of these programs is described in further detail in this fact sheet.

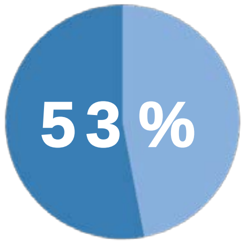
Overall Title IV-E spending by child welfare agencies

In SFY 2014, child welfare agencies reported spending $6.8 billion in Title IV-E funds on child welfare services.[2]

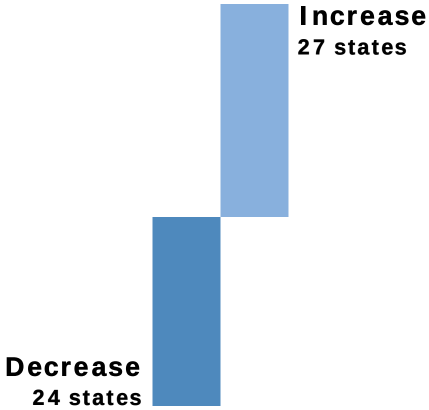


Title IV-E funds accounted for a little more than half of federal funds spent by child welfare agencies in SFY 2014.[3]

This proportion **has not changed** significantly since SFY 2004.[4,5]

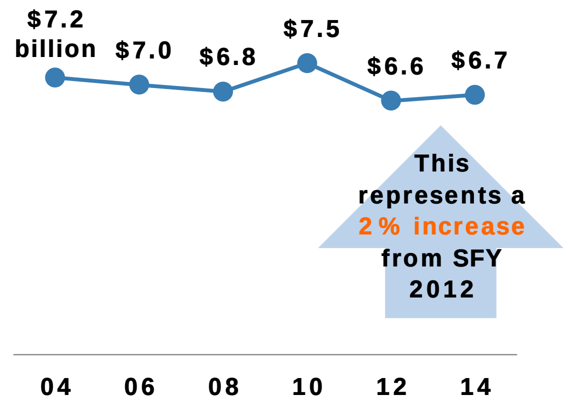


Between SFYs 2012 and 2014, most states reported an increase in the use of Title IV-E funds.[6]



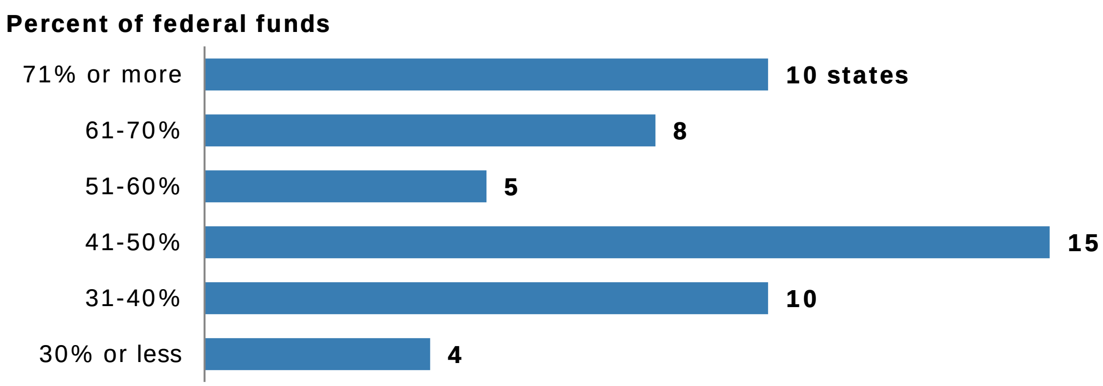
Title IV-E utilization over the decade has declined.

This graph shows how Title IV-E spending has changed over the past decade among states with comparable data in each year.[7]



Utilization of Title IV-E funds varies across states.

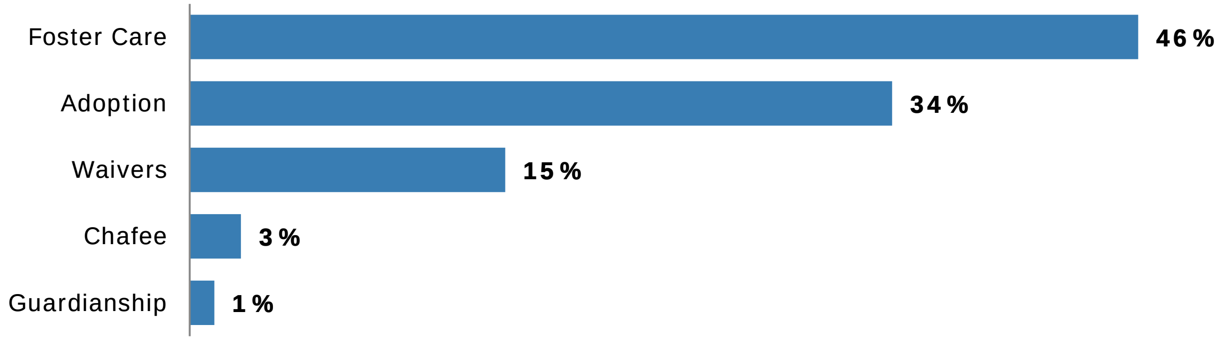
Title IV-E funds accounted for **8% to 94%** of federal dollars spent by child welfare agencies in SFY 2014, depending on the state.



Implementation of the Fostering Connections to Success and Increasing Adoptions Act has influenced Title IV-E expenditures on Adoption Assistance and Guardianship Assistance programs.

As the adoption assistance eligibility requirements broadened, the number of children receiving subsidies and the overall funding level grew as well.

Almost half of Title IV-E expenditures in SFY 2014 went towards the Foster Care Program.[8]



Title IV-E Foster Care Program

The Title IV-E Foster Care Program is an entitlement program[9] in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

Total in SFY 2014:
$3,168,689,124

Change from SFY 2012:
-7%

a) maintenance payments that cover the costs of shelter, food, and clothing for eligible children;[10]
b) child placement services and administrative costs related to foster care for eligible children;[11] and
c) expenses related to the training of staff and foster parents for eligible children.[12]

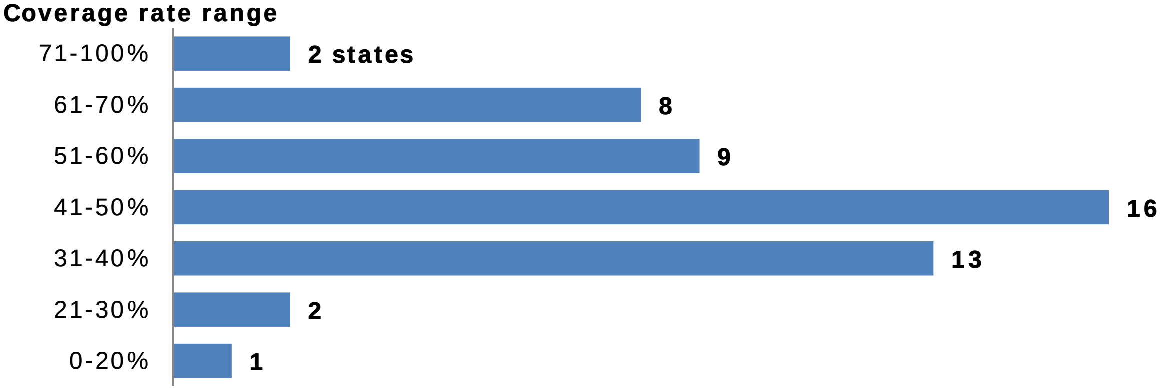
Children who are eligible for the Title IV-E foster care program include those in out-of-home placements who would have been considered financially "needy" in the homes from which they were removed, based on measures in place in 1996 under the Aid to Families with Dependent Children (AFDC) program; have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

Less than half of foster care program funds were used for foster care maintenance payments.

Out of the total $3.2 billion, $1.3 billion was used for foster care maintenance payments (a 6% decrease since SFY 2012), and $1.9 billion was used for child placement services and other administrative costs, training, and Statewide Automated Child Welfare Information System (SACWIS) activities (a 7% decrease since SFY 2012).[13]

Nationally, only around half of children in out-of-home placements are covered under Title IV-E in SFY 2014.

However, **states varied greatly** in terms of their individual coverage rates, ranging from a low of **20%** in Wyoming to a high of **77%** in Ohio.[14]



Title IV-E Adoption Assistance Program

Similar to the Foster Care Program described above, the Title IV-E Adoption Assistance Program[15] is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

Total in SFY 2014:
$2,346,760,227

Change from SFY 2012:
2%

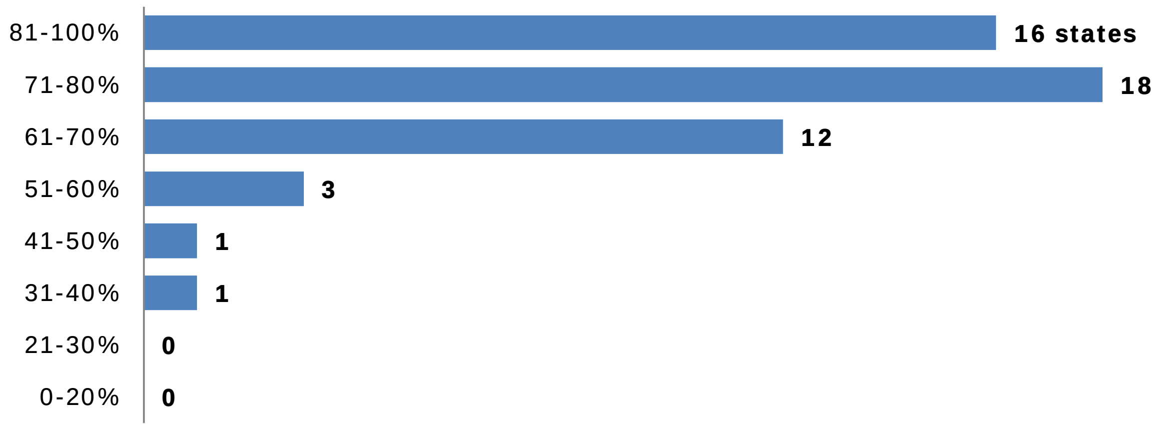
a) adoption assistance payments on behalf of eligible children;[16]
b) placement services and administrative costs related to adoptions of eligible children from foster care;[17] and
c) expenses related to the training of staff and adoptive parents for eligible children.[18]

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

The Fostering Connections to Success and Increasing Adoptions Act of 2008 (often referred to as the Fostering Connections Act) provides that, as of FFY 2018, any child determined by a state to have special needs will be eligible for recurring IV-E adoption assistance payments. This expansion of eligibility criteria began in FFY 2010 and, as it rolls out, we expect the number of children qualifying for the adoption assistance program to increase. For children adopted in FFY 2014, the expanded eligibility applied to children with special needs who (1) were age 8 or older when adopted; (2) had been in care for 60 continuous months; or (3) were a sibling of a child who met the age or length-of-stay requirement and were being placed in the same adoptive family as that sibling.

Nationally, 77% of children receiving an adoption subsidy were supported by a Title IV-E adoption assistance payment.

However, **states varied greatly** in terms of their individual coverage rates, ranging from a low of **37%** in Wyoming to a high of **92%** in Ohio.[19]



Title IV-E Guardianship Assistance Program

The Fostering Connections Act gives states the option to operate a Title IV-E Guardianship Assistance Program (also referred to as "GAP" or "KinGAP").[20] As with the foster care and adoption programs, KinGAP is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

Total in SFY 2014:
$81,708,420

Change from SFY 2012:
26%

a) kinship guardianship assistance payments to relatives who become the legal guardians of eligible children for whom the relatives previously served as foster parents;[21]
b) placement services and administrative costs related to guardianships from foster care of eligible children;[22] and
c) expenses related to training for staff and guardians of eligible children.[23]

Children are eligible for KinGAP if they are exiting foster care to legal guardianship with relatives and meet the following conditions: (1) the child has been eligible for Title IV-E foster care maintenance payments while residing in the home of a prospective relative guardian for at least 6 consecutive months; (2) the state or tribe has determined that returning home or being placed for adoption are not appropriate for the child; (3) the child demonstrates a strong attachment to the prospective relative guardian and the prospective guardian is committed to caring permanently for the child; and (4) for children age 14 and older, the child has been consulted regarding the kinship guardianship arrangement. Siblings of eligible children placed in the same kinship guardianship arrangement may also benefit from the program.[24]

There was a 26% increase in KinGAP spending in SFY 2014 since SFY 2012.[25]

Although KinGAP expenditures are still lower than projected, more states have taken up this option that was made available by the Fostering Connections Act, and states with existing programs saw expansions in SFY 2014. This increase can be attributed to the fact that more states claimed guardianship assistance funds than in the previous survey, and existing KinGAP programs also grew in SFY 2014.

Chafee Foster Care Independence Program/Education and Training Vouchers

Total in SFY 2014:
$171,063,406

Change from SFY 2012:
-6%

The Chafee Foster Care Independence Program[26] allocates funding to states for expenses related to independent living activities that prepare youth to successfully transition out of foster care. Funding can also be used for services for some young people who have already left foster care. The Education and Training Voucher (ETV) component of the program provides vouchers of up to $5,000 per year for post-secondary education or vocational training. Unlike the other Title IV-E programs, the Chafee program operates as a capped entitlement, with only a designated amount of funds available for what are referred to as independent living funds. Funding for the ETV component is discretionary with the amount subject to annual appropriations, which can vary from year to year.[27] A state must provide a 20% match for the Chafee program (i.e., they must provide $1 for every $4 in federal funding it receives through the Chafee program).

Title IV-E Waivers

Resulting from legislation enacted in 2011, there is time-limited authority granted through the Social Security Act for the federal government to waive state compliance with specific Title IV-E eligibility requirements for states participating in approved child welfare demonstration projects. These cost-neutral demonstration projects (or “waiver projects”) are designed to promote innovation in the design and delivery of child welfare services to support child safety, permanency, and well-being. While there is variation across states in the goals of the demonstration projects, many of the waiver projects focus on enhanced assessment, family engagement, and expansion of the service array for children at risk of entering, in, or preparing to leave care. Waiver projects are required to be cost-neutral, i.e., states do not receive more federal funds than they would have in the absence of the waiver. This can be achieved through a pre-negotiated capped amount of funds (all or part of the state IV-E foster care claims) or through the design of the project. Even with a waiver, states are required to cover all activities they are obligated to provide as part of the IV-E program.

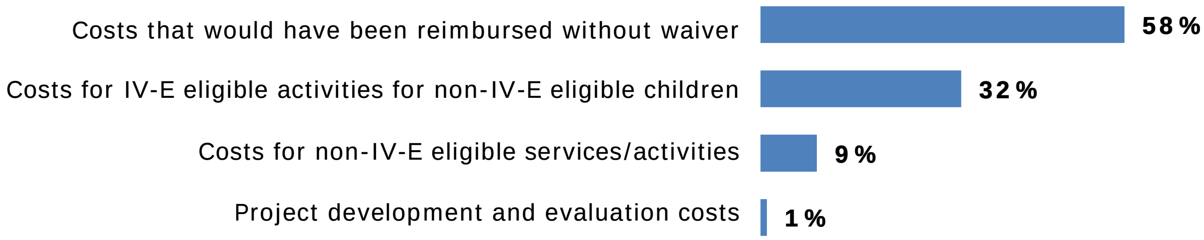
The Child and Family Services Improvement and Innovation Act of 2011 (P.L. 112-34) renewed the Title IV-E waiver authority that had expired in 2006, authorizing HHS to approve up to 10 new demonstration projects in each of three years (FY2012-FY2014). On our survey, 18 states reported waiver expenditures for SFY 2014.[28]

Of the total **$29.1 billion** in reported child welfare expenditures for SFY 2014, nearly **$1.1 billion** is associated with IV-E waiver-related expenditures by 18 states operating a IV-E waiver that year. Funds accessed through a waiver can be used to cover four different types of expenditures:

a) costs that would have been reimbursed without the waiver. These are the costs for IV-E eligible children to receive IV-E eligible activities;
b) costs for IV-E eligible activities for children who would **not** qualify for IV-E under traditional eligibility criteria;
c) costs for services/activities falling outside traditional IV-E eligible categories (for any child, regardless of IV-E eligibility); and
d) project development and evaluation costs mandated by participation in the waiver projects.

In SFY 2014, 10% of Title IV-E waiver funds spent by states were used to support services/activities that are not traditionally funded via Title IV-E (e.g., prevention services, parenting services, and kinship supports).

The remaining **90%** were spent on activities (e.g., maintenance payments and case worker activities on behalf of children in care) that would be permitted without a waiver. However, states did use almost one third of the waiver funds (32%) on activities for children who, without the waiver, would not have been eligible for Title IV-E support due to income, placement type, or their circumstances for entering foster care. With the waivers currently set to expire after the current round, which ends in 2019, states will have to find other funds to cover those services/activities.[29]



Almost $100 million, less than 10% of waiver dollars, were spent on services and activities that are not eligible for traditional IV-E reimbursement. States reported paying for such activities as prevention services, parenting services, kinship supports, and treatment/therapy for children and families with these funds. Of the 18 states reporting waiver expenditures, 11 spent some waiver dollars on services and activities that are not eligible for traditional IV-E reimbursement.

When a state has a Title IV-E waiver, it can affect spending in other IV-E categories.

States were instructed to report any IV-E waiver dollars separately from any other IV-E dollars, meaning that a state could have reported $0 for any of the individual IV-E programs (e.g., foster care, adoption assistance). However, that does not mean that the state did not use IV-E dollars for foster care, adoption assistance, etc. Rather, it means that all of their expenditures for those kinds of services or activities were captured under the IV-E waiver amount they reported.

[1] Each state reported data based on their state fiscal year 2014, which for most states is July 1, 2013 to June 30, 2014. Of the 52 states, only six (AL, DC, MI, NY, TX, and WY) reported a different SFY calendar.

The survey captures funds expended by child welfare agencies, but not funds expended by other agencies (such as health or education agencies) on children served by the child welfare system.

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

For the purposes of the survey, Washington, DC and Puerto Rico are considered to be states.

[2] The figures presented in this graph reflect the total amount of Title IV-E expenditures by child welfare agencies reported for each SFY. The number of states providing sufficient data for each round of the survey varies. Therefore, the amounts depicted in the graph may not be directly comparable and are likely an underestimate of true total spending.

To enable comparisons, all dollar amounts from previous years have been inflated to 2014 levels using the consumer price index (accessed on www.measuringworth.com/uscompare/). In previous reports, the gross domestic product deflator was used to inflate figures. In addition, when making comparisons between two years, we excluded from analyses states that lacked sufficient data in either year.

Tribes were not individually contacted regarding their child welfare expenditures.

In some years, states did not report their IV-E expenditures on our survey. As a result, we used IV-E claims data from the U.S. Department of Health and Human Services. This applies to Maine and South Carolina in 2004 and Hawai'i in 2012.

[3] This figure is the proportion of federal spending that Title IV-E represented in SFY 2014. It differs from the proportion presented in "*Child Welfare Financing SFY 2014: A survey of federal, state, and local expenditures*" because that proportion is based off states with comparable data over the decade.

[4] Based on an analysis of 38 states with comparable data.

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

[6] Based on an analysis of 51 states with comparable data.

[7] Line graph based on an analysis of 48 states with comparable data. Therefore, the total amount of SFY 2014 IV-E expenditures presented in this graph ($6.7 billion) differs from the total amount presented above ($6.8 billion). See endnote 5 for more information.

Percent change from SFY 2012 is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

[8] Percentages do not equal 100% due to rounding.

[9] Entitlement programs require payments to persons, state/local governments, or other entities if specific eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government.

Percent change from SFY 2012 is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

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

[10] Federal reimbursement is provided based on the state's Federal Medical Assistance Percentage (FMAP), which varied from 50-73.05% in FFY 2014.

[11] Children who are candidates for foster care are also eligible for IV-E administrative expenses. Administrative expenses are reimbursed by the federal government at a 50% rate.

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

[13] Percent change is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

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

[14] Excluding Puerto Rico due to their unique status as a territory. Their foster care coverage rate was 11%.

On the SFY 2014 survey, states were asked to report (1) the total number of children in care during SFY 2014 who were determined to be eligible for Title IV-E foster care maintenance payments and for whom the state claimed Title IV-E foster care maintenance reimbursement (numerator), and (2) the total number of children in care during SFY 2014 (denominator). We then divided the numerator by the denominator to produce a coverage rate (referred to as the "penetration rate" in prior reports) for each state. To compute a national coverage rate, we used data from the U.S. Department of Health & Human Services to weight the states' rates. (Please contact the authors for detail on the methodology used.) *This method differs from the calculation of coverage rates in previous years, therefore making comparisons to prior years is not advised.*

[15] Percent change from SFY 2012 is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

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

[17] Administrative expenses are reimbursed by the federal government at a 50% rate.

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

[19] Puerto Rico is excluded due to their unique status as a territory. Puerto Rico reported a 0% rate since they had no adoption assistance claims in SFY 2014.

On the SFY 2014 survey, states were asked to report (1) the total number of children receiving adoption subsidy payments during SFY 2014 for whom the state claimed Title IV-E funds as reimbursement (numerator), and (2) the total number of children receiving adoption subsidy payments during SFY 2014 (denominator). We then divided the numerator by the denominator to produce a coverage rate (also known as a penetration rate) for each state. To compute a national coverage rate, we used data from HHS to weight the states' rates. (Please contact the authors for detail on the methodology used). *This method differs from coverage rate calculation in previous years, so making comparisons to prior years is not advised.*

[20] Percent change from SFY 2012 is based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

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

[22] Administrative expenses are reimbursed by the federal government at a 50% rate.

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

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

[25] Percent change from SFY 2012 is based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

[26] Percent change from SFY 2012 is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

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

[28] Tribes were not individually contacted regarding their child welfare expenditures.

[29] Ohio was unable to separate "costs for IV-E eligible activities for non-IV-E eligible children" and "costs for non-IV-E eligible services/activities." They reported costs for both categories as "costs for non-IV-E eligible services/activities." Therefore, the true percentage for "costs for non-IV-E eligible services/activities" is likely somewhat lower and the percentage for "costs for IV-E eligible activities for non-IV-E eligible children" is likely somewhat higher.

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