Financing Strategies for State Child Welfare Systems

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INTRODUCTION

To protect children and connect families to services, states braid together a combination of federal, state and local funding streams. Financing in child welfare is a critical foundation of an effective system that keeps children safely with their families and delivers responsive services when out-of-home care is necessary. In 2024, child welfare agencies received approximately 4.4 million reports of suspected abuse and neglect involving 7.7 million children and served nearly 570,000 children in foster care, according to the Administration for Children and Families.

State and local funding accounts for more than half (57%) of total child welfare spending, underscoring the significant role of state policy and investment in shaping how programs are designed and delivered across communities. These funds support key elements of the system, including required matches for federal spending on core services, while also providing states with the flexibility to influence services, placement options and access for children in care.

According to a report from Child Trends total child welfare spending exceeded $34 billion annually, with the majority coming from states and local sources. This money primarily funds out-of-home placements. However, funding may also be used for family-based services and prevention strategies. The Family First Prevention Services Act was signed into law in 2018 and provides additional Title IV-E funding to implement child maltreatment prevention programs that keep more children safely at home by also allowing resources to support parents and kinship caregivers. Legislators have a lot to consider as they develop policies to improve family stability and protect children from abuse and neglect - including fiscal realities, emerging evidence and best practices, and societal perspectives. This report outlines the primary sources of child welfare funding and key trends in how states are using the funds.

FEDERAL FUNDING

Federal funding for child welfare in the United States flows from multiple sources and is organized into two primary categories. Dedicated funds are designated to support child welfare programs and services. Title IV-E and Title IV-B of the Social Security Act are primary examples. Non-dedicated funding sources are not exclusively intended for child welfare but can be used to support eligible programs and services within the broader child welfare system. Medicaid, the Social Services Block Grant and Temporary Assistance for Needy Families are examples. Federal funding levels vary widely across states. According to the Bipartisan Policy Center's 2025 report from the Child Welfare Financing Working Group, federal funding ranges from approximately $200 to $1,400 per income-eligible child under current federal reimbursement requirements.

Title IV-E of the Social Security Act

Title IV-E is the largest federal funding source for child welfare; however, it does not cover all child welfare programs. Instead, Title IV-E operates through distinct subprograms covering adoption, guardianship, prevention, foster care and other eligible services, as summarized in the table below. Title IV-E also supports state programs, including legal services. Tribal nations often provide child welfare services in their communities and may receive Title IV-E funding directly. They also may partner with state agencies and receive reimbursement for eligible services. Most federal Title IV-E funds are provided as a match to state funding. Federal matching funds are only available for services provided to children who meet program eligibility requirements. For the Foster Care and Guardianship Assistance programs, eligibility requirements include income limits. As of 2024, income eligibility is no longer required for Adoption Assistance.

Table 1: Title IV-E Subprograms

Program	Purpose	Federal Match and Allowable Activities
Adoption Assistance	Facilitate timely placement for children who have special needs or complex circumstances that impact placement options. Assists with the costs of adopting and caring for a child.	• Federal Medical Assistance Percentage (FMAP) Rate: 50%-83%. • Administrative costs. • Training staff and adoptive parents. • Recruitment of parents.
Foster Care	Provide safe and stable out-of- home care for eligible children and youth.	• FMAP Rate: 50%-83%. • Administrative costs. • Training staff and foster parents. • Out-of-home placement services.
Guardianship Assistance (KinGAP)	Support relatives who have assumed legal guardianship of eligible children for whom they previously were foster parents.	• FMAP Rate: 50%-83%. • Financial assistance for kinship placements.
Prevention Services	Fund time-limited prevention services for mental health, substance abuse and in-home parent skill-based programs for children or youth to prevent child maltreatment and entry into foster care. Funds can also support parents and kin caregivers.	• Federal match: 50% with Clearinghouse rating required. • Prevention services for mental health, substance abuse, and parenting programs • Administrative costs.
Kinship Navigator	Promote awareness of programs and access to services for relative and kin caregivers.	• 50% federal match. • Navigation assistance to connect kinship caregivers with eligible services.
Chafee and Education and Training Vouchers Programs	Help youth and young adults who have experienced foster care transition to adulthood.	• Education and Training Vouchers subject to appropriation. • Financial assistance for independent living, education, employment and postsecondary training.

Other Federal Funding Sources

- **Title IV-B Services for Children and Families:** Title IV-B provides flexible funding for child welfare services including family preservation and reunification, support for foster and adoptive families, family resource centers, and workforce training. Unlike Title IV-E, Title IV-B funds are subject to annual congressional appropriations.
- **Child Abuse Prevention and Treatment Act**: CAPTA funds child protective services, core child welfare functions and community-based efforts to prevent child maltreatment. CAPTA funds are subject to annual congressional appropriations.
- **Temporary Assistance for Needy Families:** TANF is a federal block grant that gives states flexibility to support low-income families, including those involved with the child welfare system. States may use TANF for family preservation services, foster care for children not eligible for Title IV-E funds and other related supports.
- **Social Services Block Grant:** SSBG is a flexible, formula-based block grant that states may use to fund a wide range of social services such as child protection, foster care-related supports, prevention and family preservation and counseling.

- **Medicaid:** Medicaid provides health and behavioral health coverage for low-income individuals, including children in foster care and their families. Children who are eligible for Title IV-E foster care, adoption or guardianship are automatically eligible for Medicaid. Child welfare agencies commonly use Medicaid to cover services such as rehabilitation, case management and therapeutic foster care.

Emerging Trends

Historically, most child welfare spending was for out-of-home placements. In recent years, however, spending has shifted modestly but meaningfully toward prevention and family preservation. Federal policy changes, most notably the Family First Prevention Services Act of 2018, have shifted emphasis toward funding evidence-based services designed to prevent child maltreatment and help families safely stay together whenever possible. Eight years after the passage of the Family First Prevention Services Act, the Administration for Children and Families continues to add approved programs to the Clearinghouse and has recently taken steps to approve programs more quickly and make it easier for states to include programs in their prevention services plans. Almost all states and several tribes have approved Family First prevention plans. In federal fiscal year 2024, 30 states claimed Title IV-E prevention funds, according to the Children's Bureau annual summary of Title IV-E expenditures and caseloads.

For children who cannot remain at home, state and federal policy has increasingly prioritized placement with relatives and reduced the use of congregate care, also known as residential, institutional or group care. In 2026, the federal government launched "A Home for Every Child," a campaign to ensure the availability of homes for children who need out-of-home care. Many states have opted into the initiative and are working to reduce the number of children needing out-of-home care, increase the supply of foster homes and increase permanency. Building on these federal efforts, many states have advanced policy approaches, adapting them to reflect the unique needs and strengths of their communities and families.

STATE FUNDING

State and local governments are the largest funders of child welfare services, and some states are adopting new financing strategies to meet the needs of their communities. In the past year alone, legislatures in 45 states, territories and the District of Columbia enacted at least 128 bills focused on child welfare funding and prevention programs. Legislation ranged from general appropriations that sustain core agency operations to more targeted investments for prevention, system improvements and services for specific populations.

State child welfare funding primarily comes from general fund appropriations, which are subject to recurring legislative budget processes and influenced by economic conditions and competing budget priorities. In response, some states have established dedicated funding streams for specific services or programs, helping provide greater stability across fiscal years and reduce year-to-year volatility.

Functions of State Funding

Although funding provided by states and local sources account for the largest share of funding, matching requirements and maintenance-of-effort provisions for federal funding that passes through states can limit states' use of funds. Within this structure, state funds generally serve three primary functions:

1. Meeting federal matching requirements: All federal funding sources have matching requirements. For example, Title IV-E administrative costs require a 50% state match, and Title IV-B requires states to cover at least 25% of program costs. A state's ability to provide matching funds directly affects the amount of federal funding it can draw down.
2. Meeting spending level requirements/maintenance of effort: Programs such as TANF and other federal block grants require states to maintain baseline state spending relative to prior years.

3. Covering non-reimbursable costs: States sometimes pay for services for children and families who do not meet federal eligibility criteria and for activities that do not qualify for federal reimbursement. For example, Title IV-E foster care eligibility is determined by income thresholds set in 1996, and the share of children who qualify has declined over time. As a result, states increasingly rely on state dollars to cover costs of children in foster care who are not eligible for federal reimbursement.

Although the core goals of child welfare systems are consistent across states, financing strategies and structures vary widely. According to Child Trends, variations are driven by federal match requirements, eligibility thresholds for federal grants, competing needs across agencies, and administrative costs relative to available funding.

State Financing Strategies

States have implemented a wide range of strategies to strengthen child welfare financing and improve programs within their communities. The following examples illustrate how states are aligning funding streams with policy design to support more effective and responsive child welfare systems.

Kinship Care

Some states are revising payment structures and establishing programs that connect caregivers to economic supports and essential services. **California** (AB 349) ties the monthly supplement provided through the federal Kinship Guardianship Assistance Payment Program, also known as Kin-GAP, to the California Necessities Index, ensuring payments keep up with the cost of living. **Texas** (HB 4) (HB 4) authorized monthly payments to relative caregivers if the household income does not exceed 300% of the federal poverty level.

Consolidating Funding Streams

Several states have enacted legislation to strengthen local service delivery and reduce the likelihood of family involvement with child welfare systems. **Virginia** (SB 801) created a state funding pool for local community policy and management teams to coordinate services for eligible youth, including services aimed at preventing out-of-home placements. **Colorado** (SB 197) reorganized the Tony Grampsas Youth Services Program by consolidating multiple initiatives into a single fund and designating them as allowable uses under a broader grant program focused on youth crime and violence prevention.

Prevention

States are also investing in prevention strategies to reduce the number of families who come into contact with the child welfare system. **Arkansas** (HB 1427) improved support for pregnant women by authorizing Medicaid reimbursement for depression screenings and expanding coverage for additional pregnancy care services. **Oregon** (SB 690) established provisions allowing families with infants under age 1 to access housing supports and delay eviction proceedings.

LOCAL FINANCING STRATEGIES

Local government and philanthropic funding also contribute to the child welfare funding landscape. Each state, region and county has unique dynamics that impact funding expenditures and available revenue. Local and philanthropic funding may be used to provide responsive and targeted dollars to meet grant match requirements, cover services that are not eligible for reimbursement, or extend program availability beyond the fiscal constraints of federal and state allocations.

County Funding

Counties are partners in preventing and responding to child abuse and neglect. According to the National Association of Counties, counties invest over $62 billion annually in federal, state and local funds to support safety-net services. In nine states—California, Colorado, Minnesota, New York, North Carolina, North Dakota, Ohio, Pennsylvania and Virginia—county governments administer their child welfare services. These countyadministered systems are individually responsible for a smaller set of communities and may tailor services to local needs and contribute funds necessary to draw down federal funding. Nevada and Wisconsin have regionally varied administrative structures. In total, 11 states share responsibility for administering and financing child welfare systems with counties.

Philanthropic Funding

Philanthropy plays a complementary role in financing child welfare systems, helping to meet emerging needs by testing new approaches and building system capacity in ways that public dollars cannot. Philanthropic dollars are typically more flexible and can bridge funding gaps when needs emerge faster than public funding can respond. Philanthropies frequently invest in innovation and enhancing public advancements, ranging from research and evaluation to policy analysis and technical assistance. They also invest in cross-sector collaboration, leadership development, and data integration to strengthen the underlying infrastructure of child welfare systems. Finally, philanthropic contributions can advance innovation and enhance public investments. They may also support funding services that are responsive to local context and provided by community-based organizations.

CONSIDERATIONS FOR STATE LEGISLATURES

Child welfare financing is complex, drawing on a mix of federal, state, local and philanthropic funding sources. Funding structures vary across states, and variation across these streams require each state to align resources to be responsive to community needs and avoid policy or programmatic gaps. Although federal dollars are limited to specific allowable expenses, state, local and philanthropic dollars supplement core programs and allow innovation through services that may not qualify for broader funding but are essential to comprehensive service delivery. Furthermore, prevention and intervention programs eligible for Title IV-E funding have a proven return on investment that goes beyond child welfare savings, according to Casey Family Programs. As prevention services are reviewed for Title IV-E eligibility, states will have access to additional funds to support children safely remaining at home.

States must continue to assess funding gaps and identify policy opportunities to align resources with need and ensure the safety and well-being of each child is prioritized. These challenges are shaped by rising costs for out-of-home placements, alongside the ongoing need to sustain community-based services, including mental and behavioral health. As states consider how to strategically finance their child welfare systems, investment in prevention and early intervention can generate fiscal and social returns while leveraging funding for related programs – including Medicaid, behavioral health and community-based services – may help states build a more responsive and sustainable continuum of support.

NCSL RESOURCES

2025 Child Welfare Legislative Trends Report

Child Welfare Enacted Trends Legislation Database

Family First State Plans and Enacted Legislation

Family First Prevention Services Act

Keeping Families Together: Enhancing Kinship Care Through State Policy

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