WASHINGTON STATE BUDGET & POLICY CENTER

Federal Budget Brief
February 2006

Washington State's Child Welfare System Stands to Lose Millions under the Federal Budget Agreement

Introduction

On February 8, 2006, President Bush signed into law the federal fiscal year 2006 budget agreement. This package, called the Deficit Reduction Act of 2005, contains numerous cuts to human services, including child welfare. The agreement will reduce federal funding to children and families in Washington State's child welfare system by between **$11.5 and $24.8 million over the next year; and over five years, the loss is estimated to be between $56.2 and $112.3 million.**

The federal budget agreement would significantly reduce federal funds available to our state's child welfare system and to Washington families that provide homes for relative children in foster care. The policy implications of the federal budget on the child welfare system include:

- **Funds for abused and neglected children will be reduced.** Some children placed with low-income relatives will no longer be eligible for federal foster care funds. Federal case management funds for children who are placed with unlicensed relatives will be curtailed. Medicaid services to foster children will be cut significantly.

- **Fewer foster children may be placed in relative care because fewer funds will be available to support these children and manage their cases.** This goes against priorities in both federal law and state law.

- **Other limited funds for vulnerable populations will be affected.** The state will need to fill gaps in funding, possibly through smaller welfare child-only grants. This will increase the pressure on the WorkFirst "box"[1] that currently is under funded by $100 million dollars.

Federal Budget Impact on Child Welfare in Washington

	1 Year	5 Years
Relative Foster Care Assistance	$ (.5 to 11.8)	$ (2.5 to 48.6)
Case Management	(1.0)	(5.0)
Targeted Case Management	(10 to 12)	(50 to 60)
New Funds	n/a	1.3
Net Loss (in mil $)	**$ (11.5 to 24.8)**	**$ (56.2 to 112.3)**

The impact will be felt in Washington State fairly quickly and will "ramp up" or build over time. Currently the Federal Fiscal year starts in October 2006 and will overlap with nine months of the current state biennial budget. Thus, state policy makers may need to consider these impacts during the current supplemental budgeting cycle.

Reduced Funds for Foster Care Services – "Rosales Provision"

The federal budget agreement reduces foster care maintenance payments under Title IV-E of the Social Security Act. The reduction in federal funds for foster care services will affect hundreds of children in the next fiscal year. These children would lose assistance towards basic necessities while in a relative foster home. The Congressional Research Service recently used two different data sets to estimate the impact of this provision on affected states. It estimated that Washington would lose between $2.3 million and $11.8 million per year, depending on the data set.[2] Washington State's Department of Social and Health Services (DSHS) estimates a much smaller impact of $500,000 annually. Neither of these estimates take into account inflation or changes in caseload size.

Foster care maintenance payments are used to pay for a child's basic necessities while in care. The funding reduction is accomplished by tightening the eligibility requirements for IV-E maintenance payments for abused or neglected children placed in foster care in relative homes. A child placed in low-income relative foster home may no longer qualify for IV-E benefits if the home of the family that abused them does not meet minimum financial standards. Washington is one of only nine states that will be directly affected by this provision.[3]

Washington State may be forced to find other funding for these families through Temporary Assistance to Needy Families (TANF) child-only cases. However, TANF funds are capped at the Federal level, and because the State has decreased its state funding investment, Washington is currently facing a $100 million shortfall to fund current programs. Additionally, TANF child-only payments are generally significantly lower than IV-E maintenance payments.

Reduction in Funding for Case Management

The federal budget agreement places time restrictions on the use of federal administrative match funds under Title IV-E for children in unlicensed homes. These administrative funds are used for multiple purposes including finding placements for children and general case management. States would be prevented from claiming a federal match for managing these cases beyond 12 months or the average time it takes to license a family in that state, whichever is shorter. Additionally, the budget mandates eligibility redeterminations every six months for families, which could lead to families dropping out of the process and significant administrative expense for DSHS. The federal budget also restricts states' ability to claim IV-E administrative funds for children who are transitioning out of institutions such as hospitals or detention facilities. Because of these changes, DSHS estimates the impact at one million dollars annually.[4]

Medicaid Targeted Case Management

There are other potential cuts to child welfare services in the budget bill. The bill makes changes to states' ability to claim funds for Medicaid's Targeted Case Management (TCM) services. DSHS estimates the loss of funds to be between $10 million and $12 million annually. Through TCM, foster children receive support from health navigators and case workers assist them to access needed services. The provision is significant and could have a huge effect on the state. It is expected to reduce total federal funding to states for Targeted Case Management by $760 million over five years and $2.1 billion over ten years, more than the total reduction in other child welfare programs.

New Federal Funding

The budget does include some new money for the Promoting Safe and Stable Families (PSSF) program through Title IV-B of the Social Security Act. The budget bill would authorize PSSF to receive an additional $40 million for 2006. If Congress reauthorizes the PSSF program past this year, more funds may be allocated. The budget bill would also appropriate two $10 million grants for improving how courts handle child welfare cases. These grants would be available through 2010. Because of the time needed to “ramp up,” the Congressional Budget Office (CBO) estimates that only a portion of these moneys would get utilized over the next few years.[5] Depending on whether the state submits and is approved for a grant proposal, Washington State stands to receive an estimated $1.3 million over five years.[6]

Foster Care System Reforms

Washington State’s foster care system is involved in a number of reform efforts designed at improving how children fare when they are victims of abuse or neglect. A recent federal review (Child and Family Services Review or CFSR) found that “the State did not achieve substantial conformity with the seven outcomes assessed through the CFSR.”[7] Like other states, Washington was required to submit a reform plan and meet certain targets in the coming years. In 2004, Washington State agreed to reform its foster care system as a result of a lawsuit (Braam v. DSHS) alleging constitutional inadequacies.[8] Multiple recent legislative initiatives have also called for reforming aspects of the system.

Like every state, Washington State is required by federal law to consider prioritizing safe relative homes when placing abused or neglected children. State law also reflects this preference. The state’s settlement agreement in the foster care class action, Braam v. DSHS, also requires improvements in this area.

Conclusion

Reduced funding for child welfare from the federal government will force Washington State policy makers into difficult choices. Without stable funding for children who may still be reunited with parents, chances of reunification may be diminished, forcing more children into long-term foster care. Children already in long-term foster care may experience a loss of both case management and other services intended to provide them with an adequate education, stable placement and even basic necessities. Parents who are at risk of losing their children or whose children have temporarily been removed may experience less support in obtaining the services necessary to ensure they can once again safely parent that child or children.

Enactment of the federal budget agreement creates another barrier to complying with the Federal government’s statutory mandates, mandates through their federal review and the state’s commitment to reform in the Braam case.

The Center for Law and Social Policy (*www.clasp.org*) contributed to this report.

Endnotes:

[1] The WorkFirst “box” refers to the fiscal control the Governor has to make decisions regarding funding levels without the legislature – unique to Washington State.

[2] CRS Congressional Distribution Memorandum, “Estimated Effect of the Rosales Provision, by State,” by Emilie Stoltzfus, December 7, 2005.

[3] The provision overturns Rosales v. Thompson, 321 F.3d 835 (9th Cir. 2003), which is directly binding on the nine states (California, Alaska, Arizona, Hawaii, Idaho, Montana, Nevada, Oregon, and Washington), in the Federal Judicial Ninth Circuit. Rosales found that a policy issued by the U.S. Department of Health and Human Services (HHS) illegally denied IV-E Maintenance payments to abused and neglected children placed with low-income relatives who qualified under the federal statute. Other states outside the Ninth Circuit were planning to expand their eligibility rules based on Rosales. New York and Pennsylvania have already initiated appeals.

[4] Washington State Department of Social and Health Services.

[5] Preliminary CBO Estimate of the Federal Budget Effects of Title VII of the Draft Conference Proposal (December 17, 2005 Score). 2005.

[6] In 2003, Washington State received 1.48% of the total PSSF funds allocated. CBO estimates that, due to ramp up time, funding to states in PSSF (including Court Improvement grants) would increase by $234 million over five years and $455 million over ten years. However, this assumes reauthorization of PSSF. If PSSF is not reauthorized, CBO’s estimates would fall to $86 million over five years and $107 million over ten years.

[7] Washington Child and Family Services Review, Final Report. February 2004. U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children’s Bureau.

[8] For more information, see *www.braampanel.org*