



BUDGET BRIEFING

DWIGHT EVANS, DEMOCRATIC CHAIRMAN

July 17, 2006

2006/07 DPW Budget: County Child Welfare

The County Code and the Public Welfare Code require support for county-administered social services programs for children and youth in each of the Commonwealth's 67 counties. The County Child Welfare appropriation under the Department of Public Welfare (DPW) provides state and federal funds to support these services.

CHILD WELFARE SERVICES

- Placement
- Prevention
- Family reunification services
- Adoption
- Temporary placement
- Child protective services
- Other court-ordered services for dependent and delinquent children

Pennsylvania determines annual funding for child welfare services by using a needs-based process, which is explained below. The 2006/07 budget includes \$881 million in state funding for the **County Child Welfare** appropriation. An additional \$59 million in state support is provided for child welfare services through two other appropriations, **TANF Transition** and **Behavioral Health Services Transition**.

Needs-Based Process

Statute and Regulation

As specified in Article VII of the Public Welfare Code, child welfare services are entitlement services which are the joint responsibility of the Commonwealth and county governments. As an entitlement service, no eligible children may be turned away.

Counties provide services to families and children consistent with their approved Needs-Based Plan and Budget (NBB) and applicable state regulations. The NBB process was initiated in July 1991 as the result of a settlement agreement between the Commonwealth and the counties, which had filed a lawsuit seeking increased state funding for child welfare services. Act 30 of 1991 mandated the annual NBB process with a four-year phase in.

In 1992, the Commonwealth amended 55 PA Code, Chapter 3140 to incorporate Act 30. These regulations require each county to submit an annual plan to provide services. DPW's Office of Children, Youth and Families (OCYF) reviews each county's plan, taking into consideration:

- Whether all mandated services will be provided consistent with state objectives;
- County size, past achievement of state objectives and any significant problems that the county may have experienced;
- Past costs, projected increased costs, number of children in a county, number of children served through the system, service level trends and estimates of other revenue sources.

In addition, county costs are further examined within the NBB in order to determine their reasonableness. This examination includes:

- Caseworker to family ratios;
- Caseworker to supervisor ratios;
- Requests for specialized services needed to meet state objectives;
- Consistency of salary and benefits with state maximums;
- Consistency in costs with current and prior year trends within similarly sized counties;
- Consistency in federal revenue projections with current and prior year trends within similarly sized counties.

NBB Review Process

- (1) OCYF annually publishes an NBB Guidelines Bulletin and provides training to the counties on the guidelines
- (2) County Commissioners submit NBBs to OCYF by August 15, following judicial input and a public hearing
- (3) OCYF reviews plans by region, followed with a review by the Deputy Secretary
- (4) OCYF modifies county requests as needed to comply with regulations
- (5) OCYF submits aggregate results to the Governor's Budget Office

2006/07 Needs Based Determination

The 67 county plans projected child welfare expenditures for 2006/07 would total \$1.95 billion. OCYF reviewed each county request based on the aforementioned criteria, the federally required Program Improvement Plan and other applicable law.

In addition to reviewing the county requests as required under Act 30 of 1991, OCYF built certified expenditures from actual 2004/05 child welfare spending. Following review, OCYF determined the statewide child welfare funding needs are \$1.809 billion in 2006/07, \$141 million less than the counties had requested.

2006/07 Child Welfare Funding

Child welfare services are funded through a combination of state, county and federal dollars. Federal funding, the largest portion of which is Title IV-E, comprises approximately 30 percent of all revenue available for child welfare services. State and local revenue make up the balance, with the state share driven by Act 148.

Child Welfare Funding Streams

ACT 148 (General Funds): The state reimburses counties for expenditures incurred in providing services. Counties are responsible for the difference, often referred to as a county match. The state reimbursement varies, based on the service:

- Adoption Services = 100 percent
- Institutional Placement (non-detention) = 60 percent
- Foster Care and Community-Based placement = 80 percent
- In-home (non-institutional) services = 80-90 percent
- Administrative Activities = 80 percent
- Detention Costs = 50 percent

Federal Title IV-E: Provides funding for children in placement, for the adoption of eligible children and certain administrative and training costs

Federal Title XX (SSBG): Funds foster care and community residential costs.

Federal Title IV-B: Funds used to establish and strengthen in-home (non-institutional) services.

Federal TANF: Flexible block grant funds used in support of in-home (non-institutional) services and emergency shelter services. Funds may not be used for detention services. Unlike Act 148 funds, counties may use TANF funds without the required county match.

TANF Transition (General Funds): Created to help counties transition from unmatched TANF funds to matched Act 148 funding. In 2005/06 and 2006/07 this appropriation is distributed to counties in the form of a grant. Like TANF, counties do not have to match these funds with local dollars.

The 2006/07 budget includes \$880.8 million in state Act 148 funding for child welfare services, an increase of \$42 million or five percent more than 2005/06.

TANF and TANF Transition

For nearly ten years, the federal Temporary Assistance for Needy Families (TANF) block grant has provided Pennsylvania with \$719 million annually. Primarily, TANF is aimed at programs to move low-income individuals from government dependence to self-sufficiency, including: cash assistance, job training, child care and other social supports. In addition, TANF funds may be used for programs funded under the act which preceded TANF, including child welfare services.

When welfare caseloads decreased during the first years of TANF, Pennsylvania was able to accumulate a large surplus of \$588 million by 2000/01. As caseloads and costs in the child welfare services program increased, Pennsylvania used the flexibility of the TANF block grant to meet needs. The available surplus provided a convenient funding source without requiring state and county funds to increase for child welfare services. As a result of continuous growth in child welfare budgets, TANF spending in the program increased significantly from \$49 million in 1996/97 to \$295 million in 2004/05. Unlike state Act 148 funds, TANF funds represented a 100 percent funding stream; therefore, counties did not need to "match" these dollars.

At the end of 2004/05, the TANF surplus was depleted. In an effort to control TANF expenditures, the 2005/06 budget reduced TANF funds within County Child Welfare by \$227 million, offset with additional state funds. Because counties must legally match state Act 148 funds, DPW created a special state appropriation titled "Child Welfare – TANF Transition." In hopes of easing the transition from TANF funding to Act 148 funding, this appropriation provides some additional state funds without requiring a county match.

POINT TO REMEMBER

Due to increasing financial burdens placed on the counties and the reduced availability of federal funding streams, the General Assembly restored funding for TANF Transition to \$45 million in the 2006/07 budget.

As in 2005/06, TANF funds and TANF Transition funds will be proportionately allocated to counties in 2006/07. In February, the Governor proposed reducing the TANF Transition appropriation from \$45 million to \$30 million, intending to phase-out this appropriation over three fiscal years. However, due to increasing financial burdens placed on the counties and the reduced availability of federal funding streams, the General Assembly restored funding for **TANF Transition** to \$45 million in the 2006/07 budget.

Behavioral Health Transition

The 2006/07 budget continues the 2005/06 Medical Assistance (MA) realignment initiative within the county child welfare program. This initiative shifts behavioral health treatment services that are funded with child welfare dollars to the MA program. By delivering services through licensed MA providers, DPW hopes to receive federal Medicaid funds to help pay for services, saving state and county funds.

For 2006/07, DPW identified \$103.7 million in behavioral health services that could be shifted to the MA program. This shift reduced total child welfare funding (state, federal and local) by \$75.1 million across the 67 counties and by an additional \$28.6 million for certain HealthChoices counties, where expectations are significantly higher for increased utilization of behavioral health managed care. (HealthChoices is the name of the MA mandatory managed care program.)

POINT TO REMEMBER

The 2006/07 budget assumes more than \$75 million in savings due to the MA Realignment Initiative.

The budget creates a new \$14.9 million state appropriation titled **Behavioral Health Services Transition** for some HealthChoices counties. This appropriation equals the state share of reduced child welfare funding for these counties. The transition dollars can be used for either MA HealthChoices or the child welfare system to pay for behavioral health services. How counties use the transition dollars will depend ultimately upon their ability to achieve the projected HealthChoices utilization levels in 2006/07.

Federal Title IV-E Withholding

The federal government provides the Pennsylvania child welfare system with Title IV-E dollars. Title IV-E provides funding for children in foster placement, for the adoption of eligible children and certain administrative and training costs.

The Commonwealth and counties are reimbursed for actual costs incurred. Title IV-E funds are split between dollars for "direct services" and "administrative services." Administrative services include eligibility determination, placement, case management and preplacement.

Under the preplacement component, state and county governments routinely received federal Title IV-E funds to pay for a portion of the administrative costs associated with providing in-home services to children who would be at risk of being removed from their families. Pennsylvania received approximately \$70 million in Title IV-E reimbursement annually. However, the United States Department of Health and Human Services (HHS) is currently challenging Pennsylvania claims made for Title IV-E funds for preplacement.

Beginning in January 2005, HHS Administration for Children & Families (ACF) began withholding reimbursement to the Commonwealth, equating to approximately \$22 million per quarter. As of March 2006, the withholding accumulated to nearly \$145 million. The Department hopes to receive these federal funds pending negotiation.

Even though HHS ACF is withholding Title IV-E funds, DPW continued to reimburse counties for their related claims. If DPW had not covered the withheld reimbursements, counties would have been responsible for their share pursuant to state law. The county share would have been approximately \$89 million statewide through March 2006.

In early June 2006, DPW informed counties that the Commonwealth can not continue to cover the entire amount of the Title IV-E funds withheld by the federal government. Until the federal funding stream is available, counties will be responsible for their share of the costs retroactive to the quarter beginning March 1, 2006. The cost to the counties will be approximately \$15 million per quarter.

POINT TO REMEMBER

The federal government has withheld more than \$150 million in Title IV-E funds since January 2005, placing additional burdens on state and county child welfare budgets.

The Commonwealth is working with HHS ACF to restore Title IV-E funding and have the federal government pay withheld claims retroactive to January 2005. The 2006/07 budget does not include any additional state funds in response to federal Title IV-E withholding. However, in an attempt to alleviate increasing financial pressures in the counties, the budget includes \$15 million more for **TANF Transition** than the amount the Governor proposed.



Questions and Comments

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