

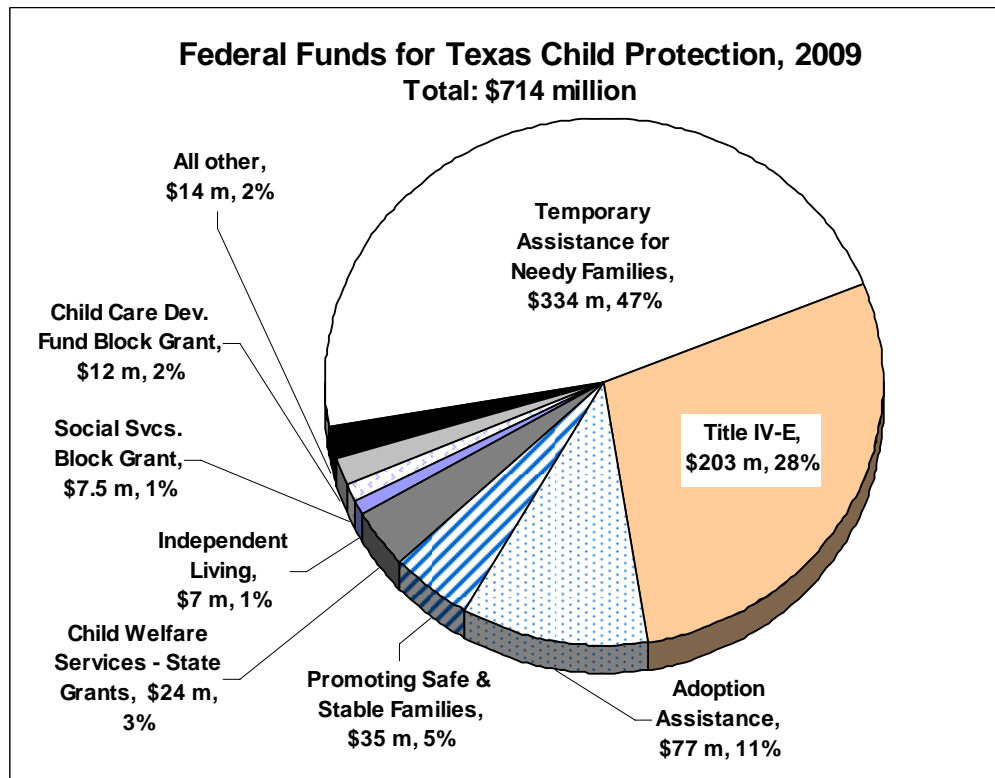
FEDERAL FUNDS FOR TEXAS CPS

Texas relies heavily on federal funds to pay for child protection. This Policy Page describes the major sources of federal funds and their uses. It also discusses policy recommendations of the Pew Commission on Children in Foster Care and the *Kids are Waiting: Fix Foster Care Now* campaign.

Use of Federal Funds Compared to Other States

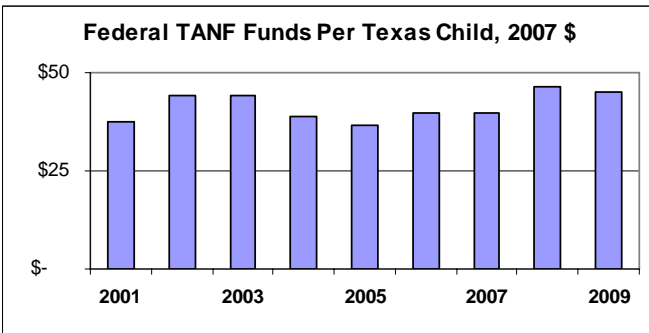
According to the Urban Institute’s 2005 Child Welfare Survey, Texas’ state/local child protection system ranks fifth highest nationally in its reliance on federal funds. Only Mississippi, North Dakota, Connecticut, and Oregon had a higher percentage of federal funds in their child welfare spending in 2004 than did Texas, at 67 percent; the U.S. average was 50 percent.

The chart below identifies the major federal revenue sources for child protection in Texas, most of which is overseen by the state Department of Family and Protective Services (DFPS). (Child Protective Services [CPS] is a division of DFPS, which also regulates child care providers and provides adult protective services.) The top five sources are then discussed in more detail, with a bar graph indicating how much of those federal funds have been used by Texas on CPS in the last decade, adjusted for inflation and the state’s child (under 18) population.



TANF

Temporary Assistance for Needy Families (TANF) is the single largest source of federal funds for child protective services in Texas. This distinguishes Texas from almost all other states, where Title IV-E dollars provide most federal child welfare funding.



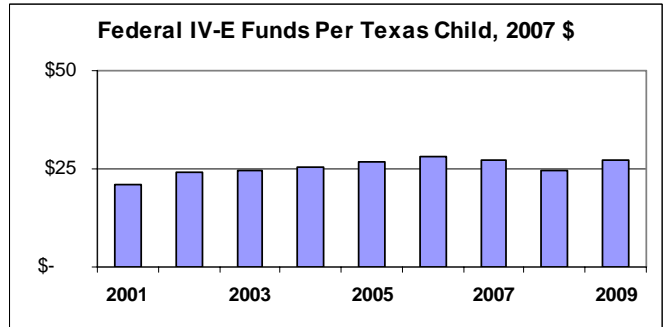
Nationally in 2004, \$2.41 in federal IV-E was spent on child welfare for every \$1 in federal TANF, not counting TANF transferred to the Social Services Block Grant. Texas spent 93 cents in IV-E per \$1 in federal TANF. (By 2009, Texas' IV-E to TANF ratio will drop to 61 cents.) The main reason Texas and a handful of other states (Connecticut, Mississippi and North Carolina) spend more TANF than IV-E on child protection is that IV-E requires a certain amount of General Revenue or other state funding for every federal dollar spent. TANF, in contrast, is a block grant that only requires states to meet a minimum maintenance of effort somewhere in their social services budgets, not just in CPS spending.

Half of the federal TANF to be used in Texas for CPS in 2009 will pay for direct delivery and other staff (including the cost of employee benefits); about one-third is budgeted for foster care payments. The rest will be used mainly for CPS intake and program support and for purchased services other than substance abuse.

Title IV-E Foster Care

For fiscal 2009, Texas budgeted \$203 million in federal Foster Care Title IV-E (of the Social Security Act) funds for child protection. Of this, \$104 million will be foster care maintenance funds matched at the Medicaid rate (Federal Medical Assistance Percentage, or "FMAP"),

which means the federal government will pay 59.44 percent of total costs. All of these maintenance dollars will be spent on foster care payments, except for \$2.6 million budgeted for foster day care and purchased client services.



Not all foster children are eligible for IV-E-funded care. In Texas, the eligibility rules for cash assistance that were in effect in 1993 are used for IV-E foster care income eligibility. Because the income standards are not adjusted for inflation, each year they decrease in real terms. In 2007, IV-E funded 73 percent of the average Texas monthly foster care caseload. Age (18 years old) limits IV-E eligibility, unless the child is still trying to graduate from high school or an equivalent vocational or training program, in which case eligibility continues to age 19.

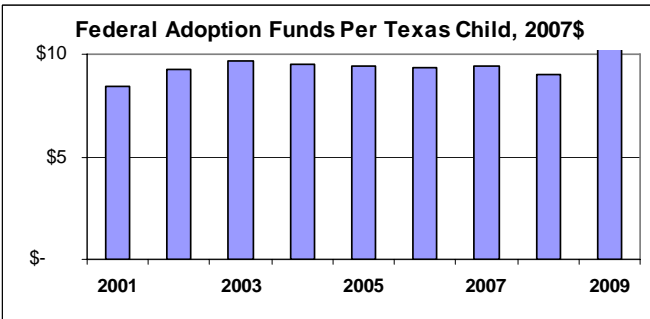
In addition to maintenance funds, \$88 million in federal IV-E funds will be drawn down on a 50 percent match basis in fiscal 2009 for administering the foster care payment system. This is two-and-a-half times administrative IV-E dollars used in 2005; most of the new dollars fund direct delivery staff. Finally, \$10 million in IV-E funds will be drawn down using a 75 percent federal match for training costs.

Child protection is not the only use of IV-E funds in the state budget. In 2007, 76 percent of Texas' federal IV-E dollars were spent by the Department of Family and Protective Services, 21 percent were spent by the Juvenile Probation Commission, and almost 1 percent went to the Texas Youth Commission (juvenile incarceration). Recent changes that will affect Texas' use of administrative IV-E foster care funds involve kinship placements and re-

determination every six months of foster care candidacy for certain children at risk of being removed from their homes.

IV-E Adoption Assistance

Like other federal IV-E funds, Adoption Assistance funding is matched at different rates (FMAP, 50 percent, or 75 percent) depending on whether it is spent on adoption subsidies, administration, or training.



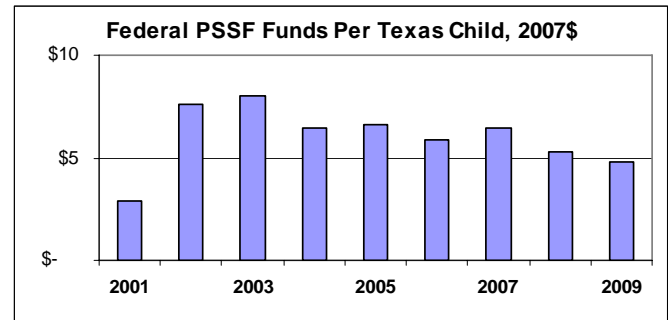
Only special-needs children—sibling groups, ethnic minority children, school-age children, and children with a disability—are eligible for the IV-E adoption payments. Furthermore, children must qualify either for cash assistance or Supplemental Security Income; otherwise, only some non-recurring adoption costs will be reimbursed. In 2003, 67 percent of Texas’ adopted children receiving a subsidy were provided IV-E-funded subsidies, compared to 79 percent nationwide. Finally, federal IV-E adoption subsidy payments cannot exceed the foster care payment that would have been made for that child if he or she were still in a foster family setting.

In 2009, Texas plans to use \$77 million in federal Adoption Assistance funds for child protection. Of that total, \$63 million is budgeted for adoption subsidy payments.

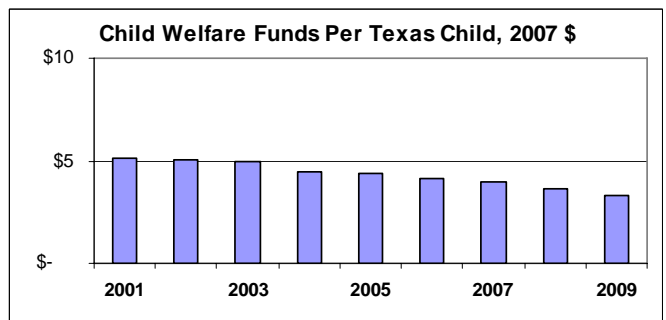
Promoting Safe and Stable Families

Promoting Safe and Stable Families (PSSF) is part of the IV-B child welfare grant and requires a 25 percent state share. Formula grants to states are based on the number of children receiving Food Stamps. States must spend at least 20 percent of grants on each of the following: family support services, family preservation, time-limited family

reunification, and adoption promotion and support. Unlike IV-E, IV-B funding does not have an income eligibility limit for services to children and families.



In 2009, Texas will use more than one-third of its PSSF dollars for prevention programs: Community Youth Development (\$5.9 million); Texas Families: Together and Safe (\$4.1 million); Services to At-Risk Youth (\$1.1 million); and other prevention program grants and support (\$2.6 million). About one-fourth (\$10 million) of PSSF dollars is budgeted for CPS direct delivery staff; the remainder is for purchased services, program support, and administrative costs of CPS programs.



Child Welfare Services—State Grants

These grants are also authorized by Title IV-B and require a 25 percent state share. After a base payment of \$70,000 to each state, Child Welfare Services grants are distributed based on states’ child (under 21) population and three-year average per capita income, to fund child welfare services that let children live in their own homes or in other appropriate placements. Unmarried, under-18 children and their families are eligible for services funded with these federal dollars.

In 2009, Texas will use these funds mostly for CPS direct delivery staff (\$14 million), CPS program support (\$1.4 million), and CPS-purchased services (\$5.6 million).

Other Federal Funds for Child Protection

Federal child care funds, Independent Living, the Social

Services Block Grant, Medicaid, and other federal funding streams are also used in Texas to fund child protection. The table below shows federal funds used since 2001 and their changing use in child protection. In comparison, non-federal funding for child protection increased at an annual average rate of 9.6 percent from 2001 to 2009.

Federal Funding of Texas Child Protective Services, 2001 and 2009

	Spent in 2001 (Million \$)	Budgeted for 2009 (Million \$)	Annual Average Change, 2001-09 (Percent)
Temporary Assistance for Needy Families	\$185.4	\$334.1	7.6 %
Foster Care Title IV-E	98.2	205.5	9.7
Adoption Assistance Title IV-E	38.3	77.0	9.1
Promoting Safe and Stable Families	27.9	35.2	3.0
Child Welfare Services - State Grants	23.6	24.3	0.4
Child Care Development Fund Block Grant	4.8	10.5	10.3
Chafee Foster Care Independence Program	3.2	7.0	10.0
Social Services Block Grant/Title XX	1.5	3.0	8.7
Medicaid	48.1	2.3	-31.8
Child Abuse and Neglect State Grants	1.2	2.1	7.3
Community-Based Child Abuse Prevention Grants	1.6	2.0	2.4
Chafee Education and Training Vouchers	-	1.5	NA
Adoption Incentive Payments	2.5	0.9	-11.5
Refugee and Entrant Assistance	-	0.9	NA
Children's Justice Grants	0.6	-	NA
State Court Improvement Program	0.3	-	NA
Adoption Opportunities	0.3	-	NA
All Federal Funds Used for Child Protection	\$437.5	\$706.3	6.2%

Pew Commission's Work on Federal Financing Reform

The Pew Commission on Children in Foster Care (the Commission) was a national, nonpartisan panel of leading experts in child welfare. After careful study of existing problems, in May 2004 the Commission made significant recommendations that fueled an ongoing national conversation about federal finance reform for child welfare services. To help implement the recommendations, in 2007, the Pew Charitable Trusts established the Kids Are Waiting: Fix Foster Care Now campaign. The campaign

worked in partnership with numerous state and national organizations to urge federal reform of the foster care financing structure. Coordinating the efforts of thousands of individuals and organizations nationwide, the campaign significantly contributed to the passage of the Fostering Connections to Success and Increasing Adoptions Act in 2008, which was the most comprehensive overhaul of the federal child welfare financing structure since the Adoptions and Safe Families Act in 1997. Detailed information about the campaign can be found at kidsarewaiting.org.

Fostering Connections to Success and Increasing Adoptions Act of 2008

The act provides additional financial assistance for various optional programs, changes federal financing for adoptions, and contains new requirements for states to qualify for federal money.

Additional Financial Assistance

The act provides new federal funds to: (1) support a kinship guardianship program; (2) extend payments for older foster care youth and older youth who are adopted; (3) expand training; (4) give grants to strengthen services to families; and (5) provide Native American tribal governments with access to federal money for foster and adoption assistance payments. To access the new federal funds, a state must opt into the program and abide by federal requirements as well as put up matching state money. For Texas, the kinship guardianship program is perhaps the most important element. Currently, Texas provides little financial assistance to relatives caring for children who would otherwise live in foster care. With the new federal money available, Texas may be able to increase the financial support for these relatives, which should increase the number of relative caregivers and the quality of care children receive. But, this will require an outlay of general revenue for the required state match and some administrative changes at DFPS to comply with federal requirements.

Adoptions

For certain children who do not qualify for a federal subsidized adoption payment, DFPS pays for the full adoption payment using general revenue. But the Act now makes it easier for special needs children to qualify for a federally subsidized adoption payment, although the relaxed standards are phased in over time. Once the provision takes effect, DFPS should save money as the state-funded adoption payments will be partially paid with federal funds.

The federal government pays states when there is an increase in the number of older child or special-needs adoptions over the number in a designated base year. The

Act increased the amount of the adoption bonus and changed the base year from which adoption bonuses are calculated. For Texas, however, the base year remains 2007 under either the old or the new provision.

New Requirements

To qualify for any federal funds, states must meet new requirements in terms of education and health care for all children in foster care, notification of relatives, sibling placement and transition plans for emancipating youth. In Texas, there is no need for new legislation to comply with the requirements. Instead, the requirements can be addressed through changes in DFPS policy, although current policy already substantially complies with the new requirements except in terms of the education and relative notification provisions.

Fostering Connections to Success and Increasing Adoptions Act of 2008

- The act is a major overhaul of the federal financing structure for child welfare services. It provides additional financial assistance for various optional programs, changes the federal financing for adoptions and contains new requirements for states to qualify for federal money.
- The act does not require new state legislation but may require additional state appropriations for DFPS to take advantage of new federally subsidized programs.
- The act may require some changes to DFPS policy regarding the education of foster care children and notification of relatives.

Increased Federal Funding as Part of Stimulus Package

The final federal stimulus package provides additional funding for child protection through a temporary increase in the Federal Medical Assistance Percentage (FMAP). The match rate for Medicaid and the match rate for Title IV-E (foster care and adoption assistance) are tied together. In the federal stimulus package, the FMAP rate increases

4.9 percent between October 1, 2008, and December 31, 2010, with even higher FMAP increases for states with higher unemployment rates. The Legislature should keep this money in the child protection program to deal with probable increases in caseloads due to the economic downturn.

Conclusion

The federal government plays a significant role in funding child protection in Texas. The state needs to build on the recent federal reforms and wisely use the stimulus funding



KIDS ARE WAITING
Fix Foster Care Now

This policy paper is underwritten in part by a grant from *Kids are Waiting: Fix Foster Care Now*, a national, nonpartisan campaign dedicated to ensuring that all children in foster care have the safe, permanent families they deserve through reform of the federal financing structure that governs our nation's foster care program. *Kids are Waiting* is a project of The Pew Charitable Trusts. The campaign is now concluded, but you can learn more about its work and recommendations at www.kidsarewaiting.org. The opinions expressed in this policy paper are only those of the Center for Public Policy Priorities and do not necessarily reflect the views of *Kids are Waiting* or The Pew Charitable Trusts.

ADDITIONAL READING

“Changes Needed in Federal Child Welfare Law to Better Protect Children and Ensure Them Nurturing Families.” Partnership to Protect Children and Strengthen Families, May 2007.

www.voices.org/Content/NavigationMenu/Childrens_Policy/Child_Welfare5/CW_Fin_Recomendations.pdf

The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Financing. Urban Institute, May 2006. www.urban.org/UploadedPDF/311314_vulnerable_children.pdf

“New Federal Foster Care Legislation: What It Means for Texas.” Center for Public Policy Priorities, November 2008. <http://www.cppp.org/files/4/newfostercare.pdf>

“The Federal Role in Funding Child Protection: How Eliminating the “Lookback” Could Help Texas.” Center for Public Policy Priorities, February 2007. www.cppp.org/research.php?aid=619&cid=4

Fostering the Future: Safety, Permanency, and Well-Being for Children in Foster Care. Pew Commission on Children in Foster Care. May 2004. www.pewfostercare.org/research/docs/FinalReport.pdf

Funding Child Protection in Texas. Center for Public Policy Priorities, October 2004. www.cppp.org/research.php?aid=56&cid=4

Kinship Care in Texas. Center for Public Policy Priorities, May 2004. www.cppp.org/research.php?aid=5&cid=4

Time for Reform: Fix the Foster Care Lookback. Kids Are Waiting, February 2007. www.kidsarewaiting.org/reports/files/lookback.pdf

To learn more, sign up for e-mails, or make a donation, go to www.cppp.org.

The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.