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## **Comments to**

### **The Pew Commission on Children in Foster Care**

### **Relating to Federal Financing**

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#### **Overview**

The Center for Public Policy Priorities is a 501(c)(3) public charity committed to improving public policies and private practices to better the economic and social conditions of low- and moderate-income Texans. The center pursues its mission through policy research and development, public education, advocacy, and technical assistance. The center is a member of the State Fiscal Analysis Initiative and the KIDS COUNT Network. We are committed to improving child well being in our state.

We appreciate this opportunity to comment regarding improving existing federal financing mechanisms to facilitate faster movement of children from foster care into safe, permanent families and to reduce the need to place children in foster care. We commend the Pew Charitable Trusts for initiating and supporting this timely national commission.

Our comments are divided into three parts: 1) an explanation of how child protection in Texas is different from other states; 2) an explanation of why block grants are particularly devastating to Texas children; and 3) an explanation of why the Title IV-E eligibility “look back” is particularly devastating to Texas children.

#### **How Child Protection in Texas is Different From Other States**

The United States does not have a national system of child protection, and children’s circumstances in the states vary greatly. Consequently, federal changes in how child protection is funded will affect children in different states in different ways.

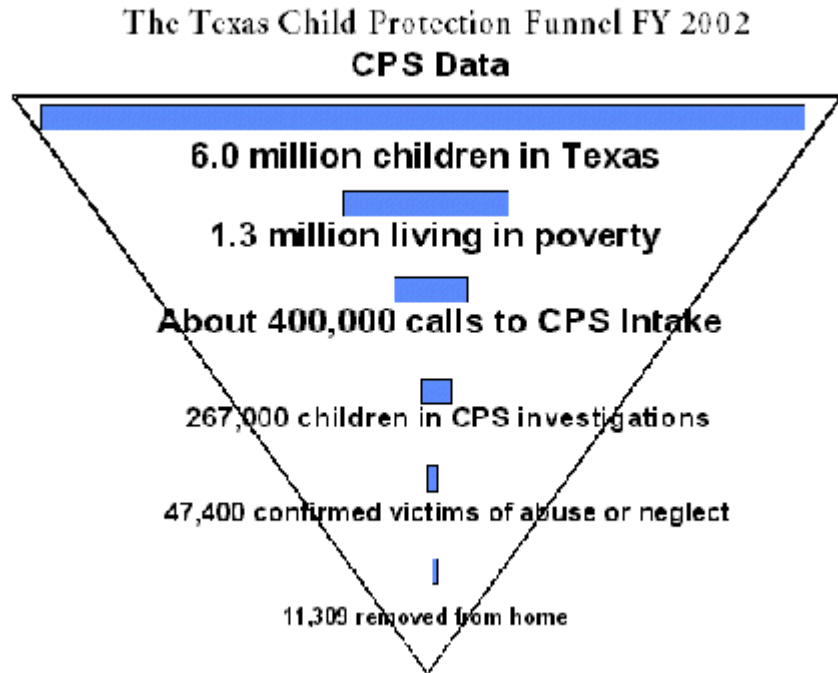
With regard to how the federal government funds child protection, Texas requires special consideration because Texas is home to so many children (one in every twelve children in the United States is a Texan), offers protection to so few (about 10,000 annually), and relies so heavily on federal funding (about 65%). Any proposal that reduces federal funding will therefore have a disproportionate impact on Texas children.

The U.S. Census Bureau counted almost 5.9 million children under 18 in Texas in 2000, an increase of 22% from 1990. The Texas State Data Center projects that the state’s child population will grow to 6.3 million by 2010—an increase of almost half a million children, or 8% over the decade. Even with this lower growth rate in its child population, Texas—which has the second highest birth rate in the nation—is likely to see a more rapidly growing demand for child welfare services than other states.

In 2001, 1.7 million, or 28%, of Texas’ children lived in or near poverty (below 125% of the poverty line). This includes 21% who lived in poverty (below 100% of the poverty line) and 8% living in extreme poverty (below 50% of the poverty line). Among the states, Texas ranks 44<sup>th</sup> worst with regard to the percentage of children in poverty.

The large number and high percentage of Texas children living in or near poverty is significant because, while child abuse and neglect occurs at all socio-economic levels, children living in or near poverty are subject to abuse and neglect at a greater rate. An analogy between poverty and child abuse and smoking and cancer is helpful in understanding this link. By far and away, most people who do smoke do not get lung cancer. Some people who do not smoke do get lung cancer. Yet, smoking and lung cancer are linked. Poverty and child abuse are much the same. By far and away, most parents who do live in poverty do not abuse or neglect their children. Some parents who do not live in poverty do abuse and neglect their children. Yet poverty and child abuse are linked. Poverty does not “cause” child abuse or neglect, but poverty does lead to conditions in which child abuse or neglect is more likely to occur. Thus, the large number of children in Texas, magnified by the high percentage living in or near poverty, makes addressing child abuse in Texas particularly important and expensive.

Yet, Texas offers little in the way of basic services to families with children. For the most part, families with children are on their own in Texas. Moreover, when families abuse or neglect their children, Texas is slow to respond and offers little when it does. Texas ranks 48<sup>th</sup> among states in the number of children per 1,000 in the general population to whom it provides foster care. This very low removal rate is striking when considered in context (see figure):



In other words, Texas annually provides foster care for only 0.1% of its child population—not one percent, but one-tenth of a percent. Here is the number of children in foster care in the five states with the largest child population in rank order:

**Foster Care Entries, Exits, and In Care: Fiscal Years 1998, 1999, and 2000**

State	Entering Foster Care this Year			Exiting Care during the Year			In Care on Last Day of Year		
	FY 1998	FY 1999	FY 2000	FY 1998	FY 1999	FY 2000	FY 1998	FY 1999	FY 2000
California	52,997	43,587	45,685	50,049	39,156	50,112	112,767	117,937	112,807

Texas	7,025	8,938	9,939	7,665	8,200	8,283	15,182	16,326	18,236
New York	19,749	18,172	16,601	20,324	20,497	20,243	53,555	51,159	47,208
Florida	13,980	21,118	18,765	7,934	8,117	15,507	26,320	34,292	35,656
Illinois	9,229	7,856	6,643	12,627	14,112	11,505	48,737	40,270	33,125

**Data from U.S. Department of Health and Human Services, Administration on Children and Families**

Roughly speaking, Illinois has half the children of Texas with double the number in care. Some states may have too many children in care, but Texas has far too few. It is critical to recognize this difference as federal funding policies are developed.

**Block Grants Are Particularly Devastating for Texas Children**

Given the state’s high birth rate, any block grant formula that lacks an adjustment for child population growth would place more fiscal pressure on Texas than on almost any other state. Over five years, a block grant to Texas would have to be at least \$20 million higher in the final year compared to the base year just to provide the same amount of funding in inflation-adjusted, per-child dollars (assuming that inflation is similar to what was experienced in the most recent five years). Furthermore, a block grant formula that is in any way based on the state’s current utilization of Title IV-E funding would lock the state into a future low level of funding that would prove to be more and more inadequate with each passing year.

The premise that a foster care block grant would allow for more flexibility in the funding of prevention and other kinds of programs in child welfare is not supported by recent developments in the Texas state budget and its use of Temporary Assistance for Needy Families (TANF), another large federal block grant. Since the creation of the TANF block grant—which does provide a supplemental grant to rapidly growing, high-poverty states, and was also promoted as offering states greater flexibility—foster care, child protective services, and child abuse/neglect prevention programs in Texas have become increasingly reliant on these funds.

In 1997, TANF federal funds were 9.2% of the total budget of the Texas Department of Protective and Regulatory Services, which administers most of the state’s child welfare programs. By 2003, TANF federal funding was 25% of the PRS budget. State legislators who were drafting the 2004-2005 state budget received requests for increased TANF federal funds not just from PRS, but also from more than half a dozen other state agencies that have come to rely on TANF. The total request for TANF greatly exceeded the level of TANF funds expected to be available in 2004-2005, and in the end legislators decided to eliminate TANF support for several child abuse/neglect prevention programs. To make matters worse, the state’s multibillion-dollar general revenue shortfall meant that no state funds would be available to replace the lost TANF federal dollars. In several communities across the state, these critical prevention programs will no longer be available. As far as prevention is concerned, any flexibility that the TANF block grant allowed Texas budget-writers ceased to exist when an economic downturn and state fiscal crisis required TANF to be redirected once again to its core purpose of cash assistance.

One final lesson about the dangers of block grants in Texas can be learned from the state’s use of TANF and the Social Services Block Grant (SSBG): the state’s tendency to spread federal block grant revenue throughout various agencies and programs, in some cases using it as “filler” when other federal funding streams are reduced, or in other instances, to supplant state general revenue support. In 2003, TANF federal funds were being used by nine state agencies in Texas to support more than two dozen programs, as well as to cover state employee pay and benefits

and to make transfers to the Child Care and Development Fund. Base SSBG funding was used by six state agencies on more than a dozen programs. As a result of their being spread throughout the state budget, TANF and SSBG dollars are difficult to track and to use in a more strategic and targeted way.

Furthermore, in many cases TANF and SSBG funds are only a small portion of a program's overall funding. Thus, when budget cuts are proposed, the effects on any one program and its clientele or other political constituency are not as noticeable (and harder to fight). Another way to describe this drawback of block grants is that they tend to lack a "human face," making them more vulnerable to cutbacks. If Title IV-E or other foster care funds were converted into a block grant, Texas would probably be quick to find ways to use the funds not just at the Department of Protective and Regulatory Services, but also to a much greater extent at the Youth Commission, the Juvenile Probation Commission, and other child-related agencies.

### **The AFDC "Look Back" Is Particularly Devastating for Texas Children**

The United States reported 588,000 children in foster care in 2000, about twice as many as in 1987 and 20,000 more than in 1999. But even as the number of children who need foster care continues to grow, Congress in effect reduces federal funding each year by the way it defines eligibility.

Before welfare reform in 1996, an abused child qualified for federal foster care funding if the child's family was so poor as to qualify for Aid to Families with Dependent Children. AFDC was an open entitlement, meaning that Congress paid for every family who qualified. Likewise, Congress paid for foster care for every abused child who qualified. As part of welfare reform, Congress replaced AFDC with Temporary Assistance for Needy Families, which is not an open entitlement for every family but a fixed block grant for each state.

Having replaced AFDC (an entitlement) with TANF (a block grant), Congress had to adopt a new eligibility standard for foster care. Congress chose to require the states to "look back" to the AFDC income rules in effect on July 16, 1996, to determine eligibility for foster care funding. Thus, a child's eligibility now turns on whether the child's family as of today meets the criteria for AFDC in 1996.

This federal policy is particularly devastating for Texas children. On July 16, 1996, AFDC eligibility in Texas was determined using income eligibility as of 1993. In other words, in 1996, Texas was already looking back to 1993. So now, Texas is looking back eleven years to determine eligibility.

Obviously, a smaller percentage of total families qualify as 1996 poor with each passing year (or in Texas 1993 poor), and consequently a smaller percentage of abused children are entitled to federal funding.

If that merely meant that the federal government paid for less foster care and that the states paid for more, the problem would be only a fiscal one. But, sadly, the problem is one of child safety. The whole reason Congress funds foster care is that the states have less fiscal capacity and greater spending limitations than Washington. Thus, as the federal share falls over time, the states do not make up the difference.

As one alternative to the current funding system, the American Public Human Services Association has proposed that when a state takes a child into foster care, the federal government pay a fixed percentage of the cost regardless of the income of the child's family. As another alternative, Senator Jay Rockefeller (W.Va.) has proposed giving states the option to align eligibility for foster care with eligibility for Temporary Assistance for Needy Families. Of course,

alignment would be an advantage only to the extent that a state's TANF grant is indexed to inflation and a state's TANF eligibility is broader than that produced by the "look back."

Implementing any alternative raises technical issues, but for the safety of our children, Congress must figure out how to look forward to the next year instead of back to 1996, and Congress needs to do so while the distance between the two is still small and relatively affordable.

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