



## FEDERAL FUNDS FOR TEXAS CPS

May 2006

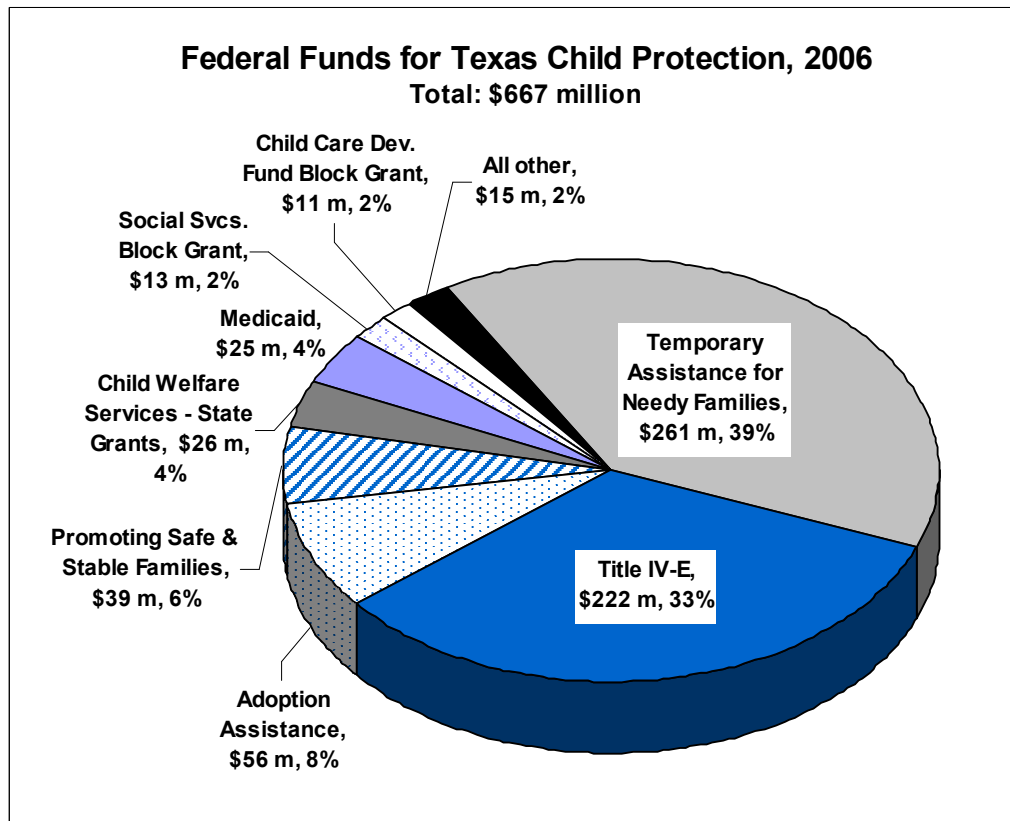
Contact: Eva DeLuna Castro, [deluna.castro@cPPP.org](mailto:deluna.castro@cPPP.org)

Texas relies heavily on federal funds to pay for child protection and foster care. This *Policy Brief* describes the major sources of federal funds and their uses. It also discusses the recommendations of the Pew Commission on Children in Foster Care and describes recent changes in federal funding.

### 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.

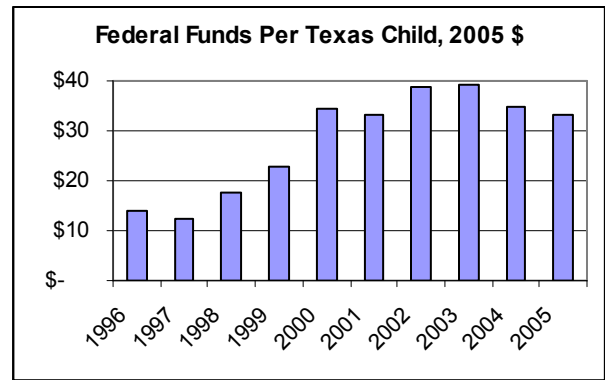


## TANF

Temporary Assistance for Needy Families (TANF), the welfare block grant that in 1996 replaced Aid to Families with Dependent Children, 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 funds are by far the largest source of federal child welfare dollars.

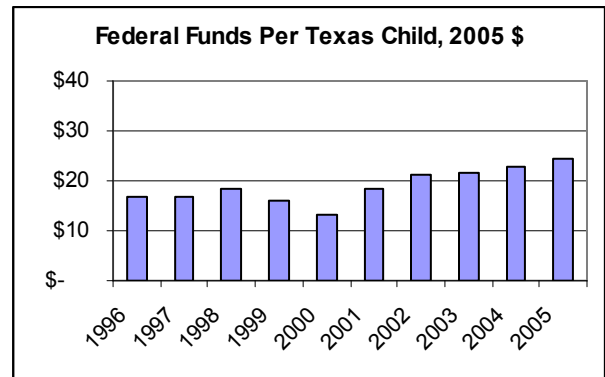
Nationally in 2004, about \$2.41 in federal IV-E was spent on child welfare for every \$1 in federal TANF, not counting TANF transferred to the Social Services Block Grant. In Texas, the ratio was 93 cents in IV-E for every \$1 in federal TANF. The main reason Texas and a handful of other states (Connecticut, Mississippi and North Carolina) use more TANF than IV-E for child protection is that IV-E requires a certain commitment 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 in their social services budgets, not just in CPS spending.

Almost 40 percent of the TANF used in Texas for CPS is for foster care payments; another 32 percent is for CPS direct delivery staff. The rest is used mainly for the Services to At Risk Youth prevention program; purchased services other than substance abuse; and CPS intake.



## Title IV-E Foster Care

In state fiscal 2006, Texas plans to spend \$222 million in federal Foster Care Title IV-E (of the Social Security Act) dollars on child protection. Of this, \$117 million will be foster care maintenance funds matched at the Medicaid rate (Federal Medical Assistance Percentage, or “FMAP”), which means the federal government pays 60.66 percent of total costs. All but \$2 million, to be used for foster day care and CPS purchased client services, will be spent on foster care payments.



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 get lower in real terms. In 2005, 71 percent of the average Texas monthly foster care caseload was IV-E-funded.

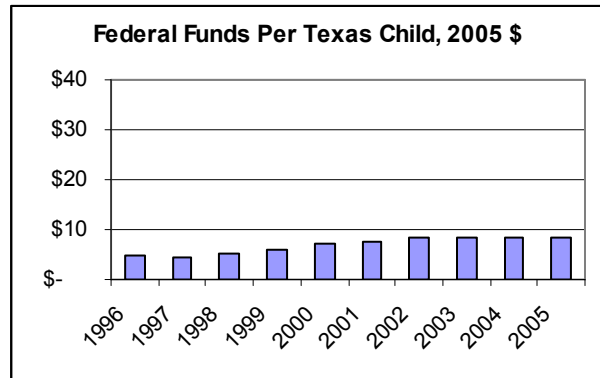
An age limit (18 years old) is also used in determining IV-E eligibility, unless the child is still trying to graduate from high school or an equivalent vocational or training program, in which case eligibility continues to age 19.

In addition to maintenance payments, another \$96 million in federal IV-E funds will be drawn down on a 50-50 basis in fiscal 2006 for administering the foster care payment system. This is almost triple the amount of administrative IV-E dollars used in prior years, and most of the new funds are being used to hire direct delivery staff. Finally, \$10.3 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 Texas budget. According to the Legislative Budget Board, about 85 percent of federal IV-E funds are budgeted for use by the Department of Family and Protective Services; another 12 percent will be spent by the Juvenile Probation Commission, almost 1 percent will go to the Texas Youth Commission (juvenile incarceration), and 4 percent will fund state employee fringe benefits. Future use of IV-E Foster Care administrative funds by the Juvenile Probation Commission will be limited by recent Congressional changes made in the 2006 budget reconciliation bill. Other 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**

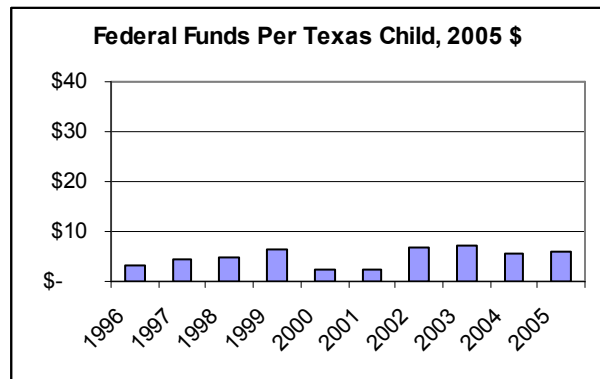
Like other IV-E funds, federal Adoption Assistance funding is matched at different rates (i.e., FMAP, 50 percent, or 75 percent) depending on whether it pays for adoption subsidies, administration, or training. Only adoptions involving special-needs children—sibling groups, ethnic minority children, school-age children, and children with a disability—are eligible for the payments. Furthermore, children have to be eligible either for cash assistance or Supplemental Security Income; otherwise, only some non-recurring adoption costs will be reimbursed. Finally, federal IV-E adoption subsidy payments cannot be higher than the foster care payment that would have been made for that child if he or she were still in a foster family setting. In 2006, Texas will use \$56 million in federal Adoption Assistance funds for child protection; of that, about \$50 million is budgeted for adoption subsidy payments.



**Promoting Safe and Stable Families**

Promoting Safe and Stable Families is part of the IV-B federal child welfare grants, and requires a 25 percent state share. Unlike IV-E, IV-B funding does not have an income limit for services to children and families.

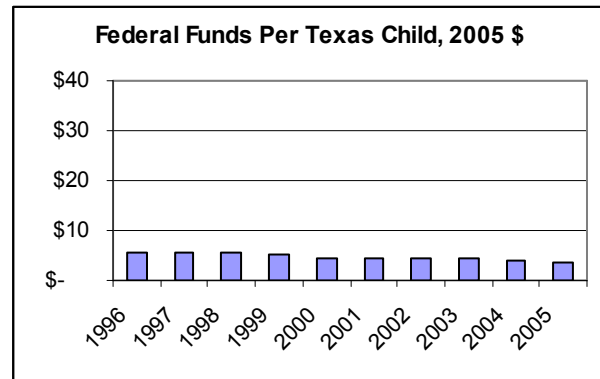
Texas uses almost half (47 percent) of these dollars for at-risk prevention services. In 2006, these funds are budgeted for the Community Youth Development program (\$5.9 million); Texas Families: Together and Safe (\$4.2 million); Services to At-Risk Youth (\$3.5 million); and other prevention program grants and support staff (\$4.6 million). About one-fourth of these funds support Intensified Family Based Services direct delivery staff; another 14 percent will help fund purchased services for adopted children. Remaining funds from this federal grant will cover administrative and personnel costs of CPS programs.



Funding authorization for Promoting Safe and Stable Families will expire September 30, 2006, unless reauthorized by Congress.

### Child Welfare Services—State Grants

After a base payment of \$70,000 for each state, these grants are distributed based on states' child (under 21) population and three-year average per capita income, for use on child welfare services that let children stay in their own homes or in other appropriate placements. Unmarried, under-18 children and their families are eligible for services funded by these federal dollars.



Texas will use these funds, also authorized by Title IV-B and requiring a 25 percent state share, mostly for CPS direct delivery staff (\$11 million); CPS purchased services other than substance abuse (\$7.6 million); and Intensified Family Based Services staff (\$2.9 million).

Federal IV-B funding is a grant, not an entitlement, and Congress has the discretion every year to decide what the actual appropriations will be.

### Other Federal Funds for Child Protection

Medicaid, the Social Services Block Grant, federal child care funds, and a half-dozen other federal funding streams are also used in Texas to fund child protection. The table below shows all federal funds used in the last five years and their increased or decreased use in child protection. In comparison, nonfederal funding for child protection increased at an annual average rate of 9.5 percent from 2001 to 2006.

	Spent in 2001 (million \$)	Budgeted for 2006 (million \$)	Annual Average Change, 2001-06 (Percent)
Temporary Assistance for Needy Families	\$180.6	\$260.8	8 %
Foster Care Title IV-E	97.5	221.9	18
Adoption Assistance Title IV-E	37.7	55.6	8
Promoting Safe and Stable Families	27.9	38.9	7
Child Welfare Services - State Grants	23.6	25.6	2
Medicaid	65.8	24.9	-18
Social Services Block Grant/Title XX	12.2	13.3	2
Child Care Development Fund Block Grant	-	10.9	NA
Chafee Foster Care Independence Program	3.2	7.2	17
Child Abuse and Neglect State Grants	1.1	2.3	15
Community-Based Child Abuse Prevention Grants	1.6	2.1	5
Chafee Education and Training Vouchers	-	1.4	NA
Children's Justice Grants	0.6	1.2	19
Refugee and Entrant Assistance	-	1.1	NA
Adoption Incentive Payments	2.5	0.9	-18
State Court Improvement Program	0.3	0.8	16
Adoption Opportunities	0.3	-	NA
<b>All Federal Funds Used for Child Protection</b>	<b>\$454.8</b>	<b>\$666.9</b>	<b>8%</b>

## **Pew Commission Recommendations**

The Pew Commission on Children in Foster Care, a national, nonpartisan panel of leading experts in child welfare, has helped to fuel an ongoing national conversation about federal finance reform by making significant recommendations after careful study of the problem. The Pew Commission's May 2004 report recommended:

- Preserving federal foster care maintenance and adoption assistance (IV-E funding) as an entitlement and expanding it to all children, regardless of their birth families' income (i.e., eliminating the "lookback") and including U.S. Indian tribe children and children in the U.S. territories;
- Providing federal guardianship assistance to all children who leave foster care to live with a permanent legal guardian when a court has explicitly determined that neither reunification nor adoption are feasible permanence options;
- Helping states build a range of services from prevention, to treatment, to post-permanence by (1) creating a flexible, indexed Safe Children, Strong Families Grant from what is currently included in Title IV-B and the administration and training components of Title IV-E; and (2) allowing states to "reinvest" federal and state foster care dollars into other child welfare services if they safely reduce their use of foster care;
- Encouraging innovation by expanding and simplifying the waiver process and providing incentives to states that (1) make and maintain improvements in their child welfare workforce and (2) increase all forms of safe permanence; and
- Strengthening the current Child and Family Services Review process to increase states' accountability for improving outcomes for children.

The Pew Commission supports "flexible" federal funding, as well as maintaining the entitlement nature of IV-E foster/adoption maintenance payments, but the commission does recommend eliminating the open-ended nature of IV-E administration reimbursements, which pay for staff and training.

The Pew Commission recommends that IV-E Administration and Training funds (along with Title IV-B funds) be converted to a new, flexible grant. Through this grant, \$200 million in new funds would go to states, at first according to their historical spending of IV-B and IV-E funds. Thereafter, the grants would increase annually by 2 percent plus the rate of consumer inflation. For Texas, this could mean somewhere between \$6 million to \$17 million in new funding for child protection.

## **Guardianship**

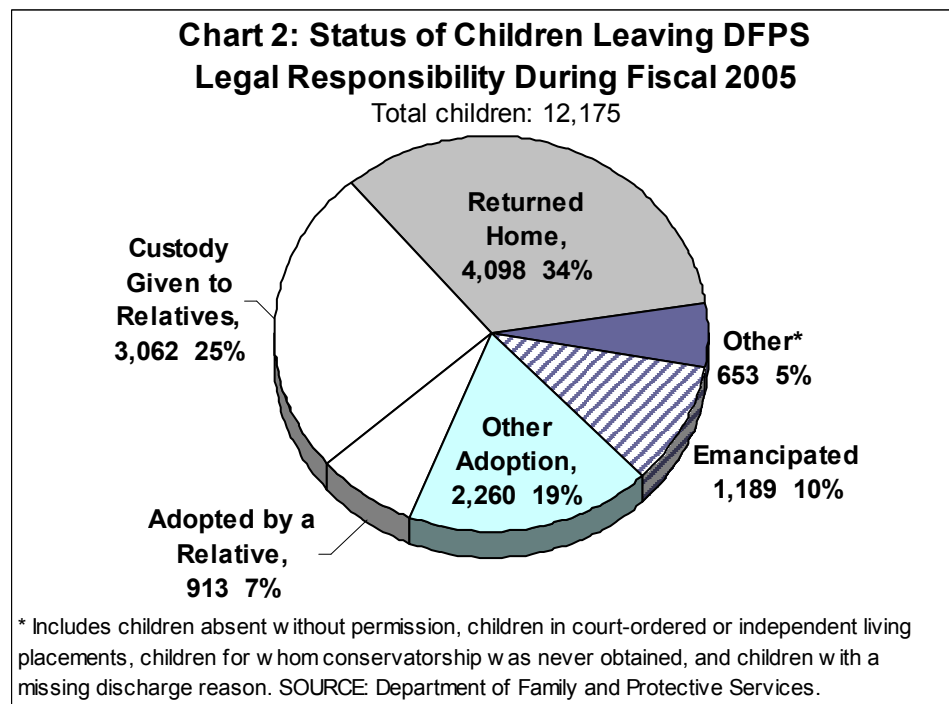
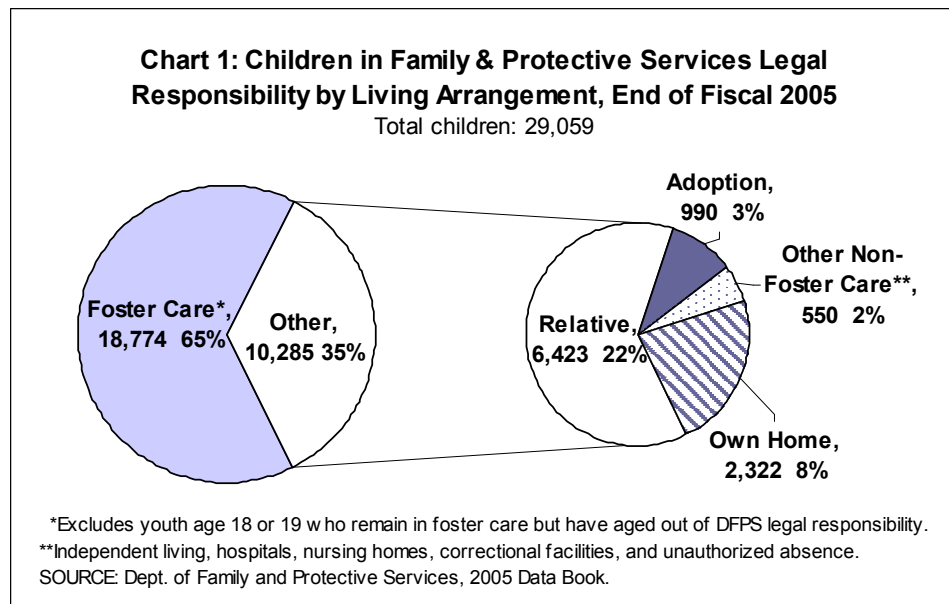
The Pew Commission's second recommendation, about federal guardianship assistance, is particularly relevant to Texas and is discussed in more detail in the CPPP *Policy Brief on Kinship Care in Texas*. (We use the term "guardianship" to be consistent with national usage. In Texas, the technical term is conservatorship, meaning that the relative has legal care, custody, and control of the child, but parental rights have not been terminated.)

The Pew Commission recommended that the federal government offer to match state money used to provide guardianship assistance just like the federal government matches state money used for foster care and adoption assistance. The commission recommended that the program be limited to children (1) who the state has been forced to remove from their home and place in foster care; (2) who have been in care for a given period of time; (3) for whom there is no feasible plan of reunification or adoption; and (4) for whom a strong bond exists with a potential guardian who is committed to caring for the child permanently.

Texas does make relative placements, also called kinship care. Chart 1 shows that more than one-fifth (22%) of children are placed with relatives in open cases. Chart 2 shows that almost one-third (32%) of children are placed with relatives to close cases—25% placed in relatives' custody, and 7% adopted by a relative.

Texas would like to increase the number of relative placements. A lack of family resources, however, is a major barrier to kinship care. While relatives can become foster parents, many cannot meet the licensing standards and others do not wish to become part of the system. Guardianship subsidies can help overcome financial barriers.

Without federal financial participation, it is unlikely that Texas could offer guardianship subsidies.



### Recent Changes in Federal Funding at the National Level

In the face of mounting federal deficits and increased pressure to cut social services funding, concerns about the future of child protection have emerged. Fortunately, Congress to date has spared child welfare programs from major cuts and has actually expanded federal funding in some critical areas.

For example, in response to the Pew Commission's recommendations on strengthening juvenile and family courts, Congress included in the Deficit Reduction Act of 2005 an additional \$100 million over five years. These new funds will improve training for judges, attorneys, and other legal staff; provide for better tracking and analysis of court caseloads; and increase the collaboration between states' courts and their child welfare agencies. The Deficit Reduction Act of 2005 also increased the mandatory budget authority for Safe and Stable Families by \$40 million a year through 2015.

For federal fiscal year 2007, the administration has proposed increases in discretionary funding for Promoting Safe and Stable Families and for Adoption Incentives (a \$10 million, or 50 percent, increase compared to 2006). The Independent Living program would continue at current funding levels, as would the Chafee Independent Living Education and Training vouchers and the Child Abuse and Neglect State Grants. An option to give states their foster care funding in a flexible grant over five years is also part of the 2007 federal budget proposal.

Some developments, while not directly threatening federal child welfare funding, are worrisome. The federal budget proposal for 2007, for example, would cut Texas' Social Services Block Grant from \$129 million to \$91 million. If enacted by Congress, this \$38 million, or almost 30 percent, reduction could lead Texas to completely eliminate SSBG funding for the Department of Family and Protective Services. (Although most SSBG is used for adult protective services, rather than CPS, it is still an important funding source for the statewide intake services and agency automated systems used by CPS.)

Also, in the recent reauthorization of Temporary Assistance for Needy Families, Congress failed to reauthorize or extend beyond March 31, 2006, the ability of the U.S. Secretary of Health and Human Services to grant states waivers for innovative uses of Title IV-E Foster Care funds. Existing waivers will not be affected, but no new waivers will be issued to states wanting to use IV-E funds for services other than foster care.

### ADDITIONAL READING

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

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

*The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Financing*. Urban Institute, May 2006.  
[http://www.urban.org/UploadedPDF/311314\\_vulnerable\\_children.pdf](http://www.urban.org/UploadedPDF/311314_vulnerable_children.pdf)

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



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# The Texas Child Protection System

