



September 16, 2020

**To:** Special Committee on Foster Care Oversight

**From:** Norma Volkmer, Fiscal Analyst

**Re:** Foster Care Funding

## **FOSTER CARE FUNDING**

This memorandum will review the two major requirements for drawing down federal funding, the human service consensus caseload estimate process and foster care funding, and the commonly used federal funds for foster care and related services.

### **Federal Funding Requirements**

In order to receive federal funding, commonly referred to as “drawing down federal funding,” states may need to meet certain funding requirements. The most common funding requirements are maintenance of effort (MOE) and matching. These requirements set amounts from non-federal funding that the state must expend or obligate in order to receive the available federal funding. Funding may be subject to both a MOE, matching, both, or neither. While the purpose of both requirements is to ensure the program is not reliant solely on federal funding, there are distinct differences between matching and MOE. Those differences and examples of each type are outlined below:

- **Matching Requirement:** The federal funding that can be drawn down using state funds. Generally, the amount is set in statute or by the federal agency. Additionally, the state funds that are used to draw down the funding cannot be used for multiple matching requirements. The most commonly known matching requirement is the Federal Medical Assistance Percentage (FMAP):
  - **FMAP:** The set state and federal shares used to determine funding for Medicaid, adoption assistance, foster care, and child care. The Secretary of Health and Human Services determines the FMAP annually using a state’s three-year average per capita personal income compared to the national average per capita income personal income; and
  - **Blended FMAP:** The share used in Kansas for any given state fiscal year. The blended FMAP is used in place of the federal FMAP because the state fiscal year (SFY) is one-quarter different than the federal fiscal year

(FFY). The Division of the Budget (DOB) determines the blended FMAP;  
and

- MOE Requirement: The threshold funding level that must be met by the state. Generally, the MOE is set at the spending level of a prior year for the same or a similar program. For example, the MOE for Family First Prevention Services is set at the amount of money a state expended for foster care prevention services in FFY 2014.

## **Foster Care Caseloads and the Human Services Consensus Caseload Estimate Process**

The human services consensus caseload estimates are the projected expenditures for the current and budget fiscal years. The process occurs both in the fall and spring. The estimates are reached by consensus of the DOB and Kansas Legislative Research Department, with input from the Department of Health and Environment, Department for Aging and Disability Services, and Department for Children and Families (DCF). A portion of these caseload estimates include funding for Out of Home (OOH)/Reintegration/Foster Care Grants (Foster Care Caseloads).

Under the current foster care contracts, payments for foster youth are based upon placement of the youth with an array of rates by placement. Additional costs estimated include direct placement and child placing agency administrative expenditures. The funding source is also dependent upon placement type. For example, if a child is placed in a Qualified Residential Treatment Program, DCF can draw down Title IV-E Foster Care, Prevention, and Permanency federal funds (Title IV-E funds) with a dollar-for-dollar match under provisions of the Family First Prevention Services Act. Foster Care Caseloads have both matching and MOE requirements. The majority of Foster Care Caseloads funding is from the State General Fund, while the second and third largest sources are Temporary Assistance for Needy Families (TANF) and Title IV-E funds respectively. Overall, the funding for Foster Care Caseloads accounts for approximately 32.8 percent of DCF's approved SFY 2020 operating expenditures.

## **Foster Care Funding Sources**

In addition to moneys from the State General Fund and the Social Welfare Fund (Fee Fund), the DCF relies on federal funding for a variety of foster care and foster care related services:

- State General Fund: Receives revenue not earmarked for specific purposes and finances government operations not provided by other funds. Its principal revenue sources include individual and corporation income taxes, sale and compensating use taxes, severance and other excise taxes, and interest earnings;
- Fee Fund: Receives funds from several sources, including reconciled Title IV-E funding. This fund is generally used to support child support services, but can be used for other purposes as needed by DCF;

- *Title IV-E*: Federal funds designated for foster care, prevention, and permanency under Title IV, part E, of the Social Security Act.<sup>1</sup> This is a major source of funding for foster care and related services. Kansas programs that receive funding under this law include foster care caseloads, Family First Prevention Services, adoption assistance subsidy, Family Preservation, and the development of a new Comprehensive Child Welfare Information System;
- *Title IV-B*: Federal funds designated for child and family services under Title IV, part B, of the Social Security Act.<sup>2</sup> Kansas programs that receive federal funding under this law include Family Services, foster care caseloads, and adoption support;
- *Supplemental Security Income-Social Security Administration (SSA) Foster Care Maintenance Recovery*: Revenue that represents SSA benefits received by children in foster care. This funding is used for foster care caseloads. It has decreased in recent years because of a new policy that allows relative caregivers, rather than the state, to receive the federal benefit on behalf of the child;
- *Social Services Block Grant (SSBG)*: Federal funds designated for social services as decided by the states and territories under Title XX of the Social Security Act.<sup>3</sup> This funding has more flexibility than other federal funding because its purpose is allowing states and territories to determine how these funds are best used to meet statutory goals. Part of this funding is used for foster care caseloads;
- *TANF*: Federal funds designated for four allowable purposes under Title IV, part A, of the Social Security Act.<sup>4</sup> This is the largest source of federal funding for DCF and is used to fund a variety of programs, including foster care caseloads and Family Preservation. TANF has four allowable purposes:
  - Provide assistance to needy families so children may be cared for in their own homes or in the homes of relatives;
  - End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
  - Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
  - Encourage the formation and maintenance of two-parent families;<sup>5</sup> and
- *TANF-SSBG*: Up to 10 percent of the TANF block grant can be transferred annually to the SSBG. DCF transfers the full 10 percent. This funding is used to fund foster care caseloads.

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1 42 USC §§ 670-678.

2 42 USC §§ 620-629.

3 42 USC § 1397.

4 42 USC §§ 601-619.

5 42 USC § 601.