

March 2020

## Proposed State Budget Continues Pattern of Cuts to Child Welfare

The Governor's Executive Budget for 2021 includes a child welfare-related proposal that would result in approximately \$14 million in additional annual city-funded costs. This is the latest in a series of decreases in state funding and unfunded mandates for the city's child welfare and juvenile justice programs in the past few years.

**Flexible Fund for Family Services.** The proposed budget change relates to the federal Temporary Assistance for Needy Families (TANF) Flexible Fund for Family Services (FFFS)—a New York State program that uses federal dollars. Localities may use FFFS dollars for several program areas, including employment readiness; domestic violence screening and assessment; drug and alcohol abuse assessment and monitoring; and child welfare, including foster care, preventive services to avoid the need for foster care, protective services, and adoption.

Under state law, localities must spend a designated minimum amount of their FFFS allocations on child welfare before being able to tap into the state's separate, uncapped child welfare funding stream for additional child welfare expenses; the uncapped funding stream reimburses localities for 62 percent of their remaining costs, net of other federal child welfare funding. The Executive Budget would raise that total statewide threshold by about \$40 million, while not increasing the total statewide FFFS allocation.

This change means that localities would lose money by having to spend more of their FFFS allocations on child welfare before being able to spend their own local money, which would be reimbursed at 62 percent through the general child welfare funding stream. Increasing the required minimum child welfare spending of FFFS allocations by \$40 million saves the state \$25 million—62 percent of \$40 million—because it avoids having to reimburse the localities for that portion of child welfare spending.

This year's total statewide FFFS allocation is \$964 million, and New York City's share is \$550.3 million. Of the \$964 million, \$342.3 million is the statewide total minimum that localities must commit to child welfare spending before being able to begin receiving the 62 percent reimbursement from the state. For the city, the current threshold is \$193.6 million.

The state proposes raising the statewide child welfare threshold to \$382 million, with the city's child welfare threshold increasing by \$22.9 million. This means that the city would need to use an additional \$22.9 million in FFFS dollars on child welfare before it can begin to be reimbursed at 62 percent by the state's general child welfare funding stream. If the city needs to increase its FFFS spending on child welfare by \$22.9 million, it will need to decrease FFFS spending in other program areas by that same amount, possibly in agencies other than the Administration for Children's Services (ACS), and replace those dollars with city funding. Under the current rules, the city could use that \$22.9 million toward the state's uncapped child welfare funding stream, with the city being reimbursed for \$14.2 million (62 percent of \$22.9 million). Therefore, the annual cost to the city is about \$14 million if the Governor's proposal is adopted.<sup>1</sup>

Another potential risk to ACS's budget this year is the Governor's proposal to raise the local share for the TANF Family Assistance and Emergency Assistance for Needy Families programs from 10 percent to 15 percent—for the city only. (See more [here](#) and [here](#).) ACS receives some Emergency Assistance for Needy Families funding, but it is unclear what the impact to the agency's budget may be if this change is enacted.

**Past Cost Shifts and Unfunded Mandates.** If the FFFS change is enacted, it would not be the first time in recent



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years that state budget changes related to child welfare or juvenile justice have negatively impacted New York City.

*State Fiscal Year 2018.* Governor Cuomo's 2018 Executive Budget included a proposal—which was ultimately enacted—that cut ACS's portion of the statewide Foster Care Block Grant by approximately \$44 million per year. Roughly half of this amount was the city's portion of a statewide reduction in the grant and the rest resulted from the state ending its policy of reimbursing, through the block grant, 50 percent of tuition costs for foster care children attending residential schools other than those run by the city's Department of Education. This latter policy change applied only to the city, not other localities in the state. Since it is not possible for ACS to simply reduce its foster care services—it must care for all children who are placed in care by Family Court—the agency replaced the lost block grant dollars with city funds.

The 2018 state budget also eliminated state funding for room and board costs for non-foster care youth placed in residential schools by the Department of Education's Committee on Special Education, costing ACS approximately \$19 million per year in forgone state revenue that had to be replaced with city funding. Like the cut in tuition reimbursement for children in foster care, this cut only applied to New York City. The state's 2021 Executive Budget would extend the policy to all other localities in the state.

*State Fiscal Year 2019.* The state passed the Raise the Age law in 2019, which required localities to treat most 16- and 17-year-olds who are arrested as juvenile delinquents or adolescent offenders rather than as adults. This law applied to 16-year-olds as of October 1, 2018 and to 17-year-olds as of October 1, 2019. The 2019 state budget provided \$100 million statewide to help localities with costs incurred in implementing this law, such as staffing, training, and programming at youth detention facilities; expansion of alternative-to-detention services; and additional support and administrative services. The following year the state provided another \$200 million, and the 2021 Executive Budget proposes a \$250 million appropriation.

New York City, however, is not eligible to receive any of this funding, since it is only available for localities that stay under their property tax-levy caps, which does not apply to the city, or that qualify for a financial hardship waiver, which the city has not been eligible for in the past. This has essentially turned Raise the Age into an unfunded mandate for the city and increased costs for several agencies, including the Departments of Correction and Probation,

the New York Police Department, the Law Department, and ACS. Although it is unclear how much of the dedicated Raise the Age funding the city would have gotten had it been eligible, it was likely to have qualified for at least half of the funding each year given the size of its juvenile population relative to the rest of the state's.

ACS is able to use the state's child welfare services funding stream (discussed above) to recover a small portion of the increases it has incurred in spending on alternatives to detention related to Raise the Age. ACS recovered about \$4 million in city fiscal year 2019 and the Mayor's budget office projects that it will recover \$12 million in city fiscal year 2020 and \$15 million in later years.

The Governor's 2019 budget also ended the state's financial support for the city's Close to Home program, which places juvenile delinquents in small residential facilities overseen by ACS in or near the five boroughs, instead of in state-run facilities upstate. Despite being jointly designed by the city and the state—and since the two entities had long shared the costs of placing youth in state facilities—the state's decision to continue the program while declining to continue providing some of its funding effectively turned Close to Home into another unfunded mandate. Before the state ended its contribution, the city had expected to receive approximately \$30 million in state Close to Home funding annually beginning in city fiscal year 2019, although the exact amount would have varied each year depending on the number of youth in placement.

In addition to these cuts, the Governor's 2019 Executive Budget proposed capping the city's share of the child welfare services funding stream at \$320 million. This would have cost ACS \$175 million in city fiscal year 2019, but the proposed cap was rejected by the State Legislature and not included in the enacted budget.<sup>2</sup>

**City's Cost Burdens Grow.** Over the past three years, state budgets have included several cost shifts and unfunded mandates that have forced ACS to spend more city money than it had previously planned. This year's proposed budget adds another child welfare-related change that would cut approximately \$14 million annually in state funding. While it is difficult to calculate exactly how much all of these changes have cost the city, it is clear that there has been a pattern of shifting the costs of child welfare and juvenile justice from the state to the city.

*Prepared by Katie Hanna*

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## Endnotes

<sup>1</sup>The state's budget documents provide the \$14.2 million estimated impact on New York City. IBO used this number to calculate the city's share of the proposed child welfare threshold, \$22.9 million

<sup>2</sup> This cost differs from the estimate provided in [IBO's 2018 report on the state's 2019 executive budget](#) because that report was based on projected revenue, while this one is based on actual revenue..



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