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Governor's Budget Shifts Larger Share of Foster Care Costs to the City

Governor Cuomo's executive budget for the upcoming year proposes reducing state funding for child welfare with the goal of establishing parity in expenditures for foster care services between local sources and a block grant that makes up the majority of state funding for foster care. If the proposal is enacted in its current form, the Governor's budget would cut the portion of the state Foster Care Block Grant (FCBG) allocated to New York City annually by an estimated \$44.3 million, using the state's calculations.

According to the Governor's analysis, the share of costs for children in foster care funded by the state grant has increased over the past several years, while the share of costs supported by localities has decreased. As a result, the Governor's budget calls for an overall statewide reduction in the block grant, with the goal of equalizing FCBG and local funding for foster care expenditures after accounting for federal and other—non-FCBG—state funding sources. In order to achieve this balance the Governor's budget would reduce the 2018 block grant allocation to the city's Administration for Children's Services (ACS) by \$21.3 million. The city would lose an additional estimated \$23.0 million per year in these block grant funds as a result of the elimination of the state's share of tuition costs for foster care children attending residential schools: a policy shift that only affects New York City. In order to maintain current levels of service, ACS would need to make up for both of these cuts with equal amounts of city funding.

A Capped Grant. The Foster Care Block Grant is capped for each locality, meaning that localities can be reimbursed for foster care expenditures—after using any available federal funding—up to their capped amounts each year. Historically, New York City has reached its annual FCBG cap. The city's FCBG allocation for 2017 (all years refer to city fiscal years

unless otherwise noted) is \$234.9 million, and the Mayor's preliminary budget for 2018, which does not take into account the potential cuts to the grant, assumes that next year's allocation will remain the same.

The Governor's proposed \$44.3 million cut to the 2018 allocation would reduce the amount of the state grant for the city by 18.9 percent. The great majority of ACS's block grant revenue funds foster care services expenses (including tuition costs), with approximately \$38 million per year of the grant allocated towards ACS's administrative expenses. IBO's analysis assumes that the state's focus on achieving parity between the block grant and local funding takes into account only the portion of the grant that directly funds foster care services.

According to IBO's analysis, the foster care grant has been funding an increasing share of ACS's foster care expenditures over the past several years. But IBO estimates that the Governor's proposed cuts to the FCBG overcompensates for this discrepancy because the city will lose not only its share of the reduction intended to rebalance FCBG and local shares, but also the ability to receive the additional FCBG reimbursement for foster care tuition costs. If the Governor's budget is enacted, the city would be responsible for a majority of the cost of foster care services after excluding federal and non-FCBG state funding.

Foster Care Expenditures. The state's share of the cost of providing foster care in New York City has risen over the past several years primarily as the result of an overall decline in the city's foster care costs. While the overall cost has declined, the FCBG allocation to the city has remained roughly the same. The decrease in the city's foster care costs results from a decline in the city's foster



care population. In 2012, 5,698 children were admitted to foster care in New York City; in 2016, 3,695 children were admitted, a 35.2 percent decrease. Similarly, the average daily foster care census declined by 28.2 percent from 13,820 in 2012 to 9,926 in 2016.

These decreases—continuations of a long-term decline—have widely been attributed to a continued focus on preventive services for families. These services provide support to families at risk of having their children placed in foster care, usually as the result of an ACS abuse or neglect investigation. The number of children receiving preventive services for any part of the year increased from 40,805 in 2012 to 46,207 in 2016.

Foster Care Block Grant funds mostly help pay for the care and maintenance of youth in foster care. This includes payments to contracted foster care agencies for boarding and clothing as well as special payments for additional child-specific expenses such as school fees, art or music lessons, or transportation to visit the foster child’s birth family. The FCBG is also used to help fund other foster care-related functions such as ACS’s Kinship Guardianship Assistance Payment program, which provides reimbursement to relatives who take on guardianship of foster children, and tuition costs associated with foster care placements. These tuition payments are made on behalf of foster youth placed in residential schools not run by the Department of Education.¹ The Governor’s proposal would eliminate FCBG reimbursement for these tuition costs. The FCBG currently reimburses 50 percent of the city’s tuition costs, which totaled \$46.3 million in 2016. Based on past expenditures, the state estimates that eliminating this reimbursement would shift an annual \$23.0 million expense to the city, beginning in 2018.

In addition to FCBG funding, the state also provides ACS with funds for child protection and preventive services, reimbursing localities for 62 percent of their costs. In an effort to encourage localities to reduce their reliance on foster care, state reimbursement for the cost of child protection and preventive services is not capped. Within foster care services, these funds support discharge grants for foster care children reunifying with their families and assistance for youth transitioning out of foster care into independent living at age 18 or older. Additional non-FCBG state funding is provided for ACS’s work with youth who have been adjudicated as juvenile delinquents or Persons in Need of Supervision and are being placed in foster care.

| New York City Foster Care Services Budget by Funding Source | | | | | | | |
|--|-------------|-------|----------------|-------|--------------|-------|------------------|
| <i>Dollars in thousands</i> | | | | | | | |
| | City | | Federal | | State | | Total |
| 2012 | \$188,643 | 33.8% | \$157,094 | 28.1% | \$213,157 | 38.1% | \$558,893 |
| 2013 | 165,462 | 31.5% | 147,443 | 28.1% | 212,483 | 40.4% | \$525,388 |
| 2014 | 152,571 | 30.1% | 146,068 | 28.8% | 208,628 | 41.1% | \$507,267 |
| 2015 | 145,863 | 29.3% | 150,700 | 30.2% | 201,918 | 40.5% | \$498,480 |
| 2016 | 148,182 | 28.1% | 164,411 | 31.2% | 214,244 | 40.7% | \$526,837 |

SOURCE: Mayor’s Office of Management and Budget
 NOTE: Funding figures are based on final modified budgets, not actual expenditures.
New York City Independent Budget Office

City, State & Federal Funding Shares. From 2012 to 2016, as the city’s foster care population declined, ACS’s total expenditures for foster care services decreased from \$558.9 million to \$526.8 million.² During this same period the city’s contribution to the cost of providing foster care decreased from \$188.6 million to \$148.2 million. While city funding declined during this period, federal funding increased and state funding, including both the FCBG and other state revenue, remained relatively stable. Accordingly, the city’s share of foster care expenses decreased from 33.8 percent to 28.1 percent from 2012 through 2016, while the federal and state shares both increased, from 28.1 percent to 31.2 percent and from 38.1 percent to 40.7 percent, respectively.

IBO’s analysis of foster care expenditures net of federal and non-FCBG state funding shows that, consistent with the state’s reasoning, FCBG funding has been making up an increasingly greater portion of ACS’s funding for foster care services in recent years. The block grant funded 50.7 percent of ACS foster care service costs, net of federal and non-FCBG state revenue, in 2012. By 2016, FCBG funds accounted for 57.5 percent of those foster care services expenditures.

Using the de Blasio Administration’s 2018 preliminary budget as a baseline, a \$44.3 million reduction in ACS’s

| City and Foster Care Block Grant Shares of Foster Care Services Budget | | | | |
|---|-------------|-------|--------------------------------|-------|
| <i>Dollars in thousands</i> | | | | |
| | City | | Foster Care Block Grant | |
| 2012 | \$188,643 | 49.3% | \$194,175 | 50.7% |
| 2013 | 165,462 | 46.3% | 191,730 | 53.7% |
| 2014 | 152,571 | 44.4% | 190,727 | 55.6% |
| 2015 | 145,863 | 43.3% | 190,876 | 56.7% |
| 2016 | 148,182 | 42.5% | 200,623 | 57.5% |

SOURCE: Mayor’s Office of Management and Budget
 NOTES: Net of federal funding and non-foster care block grant state funding. Funding figures are based on final modified budgets, not actual expenditures.
New York City Independent Budget Office

block grant allocation accompanied by an equal increase in city funding would result in a total budget of \$529.9 million for foster care services. Of this total the city would provide \$195.6 million, while state funding would decline to \$166.8 million—including \$153.5 million from the FCBG—and federal funding would be \$167.5 million.³ In this scenario, city and state funding would make up 36.9 percent and 31.5 percent, respectively, of all foster care funding. After adjusting for federal and non-FCBG state funding, IBO estimates that the city's share of foster care services budget in 2018 would be 56.0 percent, a nearly 14 percentage point increase over its 42.5 percent share of these costs in 2016.

Based on IBO's estimates, the Governor's plan would not equalize the FCBG and city shares of foster care costs. As noted, the proposed \$44.3 million reduction in state funding for New York City would include not only the city's \$21.3 million share of the statewide cut to the FCBG allocation, but also an additional \$23.0 million in shifted foster care tuition costs that only affect the city. Taken together these cuts would disproportionately affect New York City. IBO estimates that if only the statewide cut to FCBG were enacted—without the shift of foster care tuition costs—the city and FCBG shares of ACS's foster care costs would be nearly balanced at 49.4 percent and 50.6 percent respectively. IBO also estimates that in the reverse scenario, if only the shift of foster care tuition costs were enacted, without the statewide cut to the FCBG, the city and FCBG share of ACS's foster care costs would be even more closely balanced at 49.9 percent and 50.1 percent respectively. Both the state Assembly's and Senate's budget proposals reject the statewide change to the block grant, although the Senate supports the elimination of funding for New York City's foster care tuition costs.

IBO's estimates of ACS's 2018 foster care expenditures are based on the assumption that expenditures will not diverge greatly from what is currently budgeted for 2018. In recent months ACS has come under fire for its handling of several protective services cases in which children

died despite having been the subjects of ACS abuse or neglect investigations. ACS's practices have been criticized in multiple reports issued by the city's Department of Investigation, the city Comptroller, the state's Office of Children and Family Services, and ACS itself. It remains to be seen whether the criticism of the agency's handling of its abuse and neglect cases will result in an agency policy shift that could lead to an increase in the in foster care admissions and a subsequent rise in the foster care budget.

Additional Cost Shift to ACS. In addition to reductions in state foster care funding, Governor Cuomo's executive budget also proposes shifting the state's share of Committee on Special Education (CSE) payments for New York City youth entirely to the city. The Governor's proposal would continue New York State's contribution toward CSE payments for all of the state's other localities. This shift in fiscal responsibility would increase city expenditures by approximately \$19.1 million. These funds pay for the costs of room and board for non-foster care students who are placed in residential schools by the Department of Education's Committee on Special Education. CSE costs are currently shared among the state, local school districts, and local social service districts, a category that includes ACS. If this shift is enacted along with the FCBG cuts, the total impact to ACS from the state budget would be \$63.4 million for the city's 2018 budget, with similar amounts in subsequent years.

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Endnotes

¹All of the expenses described in this paragraph fall into the category of foster care services, not administrative expenses.

²This includes the entire foster care services budget function as defined by the Mayor's Office of Management and Budget. Some small program areas, such as independent living services for youth aging out of foster care that cannot be claimed against the Foster Care Block Grant are included. FCBG funding for administrative expenses that are outside of the foster care services budget function is excluded.

³These calculations assume that the full cut to the FCBG would fall within the foster care services budget function.

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