

**Appropriations Committee
AM242 to LB430
February 17, 2015**

**Tony Green, Acting Director
Division of Children and Family Services
Department of Health and Human Services**

Good afternoon Senator Mello and members of the Appropriations Committee. My name is Tony Green (T-O-N-Y-G-R-E-E-N) and I am the Acting Director of the Division of Children and Family Services in the Department of Health and Human Services.

I am here to brief you on the financial status of Program 354 – Child Welfare Aid and the request of expedited funding of \$7 million for SFY2014-15 related to child welfare services.

There have been a variety of issues that have placed strain on the state general fund budget in Program 354. The Department identified the ‘bundled payment’ issue related to Title IV-E Foster Care maintenance in April 2013 and notified our federal partner, Administration for Children and Families (ACF). Subsequently, the Department was placed into a IV-E deferral in July 2013 which was retroactive to October 1, 2012. Despite this ‘bundled payment’ issue, the Department was able to successfully negotiate the Title IV-E Waiver which was awarded on September 30, 2013.

The Department operated under the IV-E deferral from October 1, 2012 – September 30, 2014, this pertained to federal fiscal years 2013 and 2014. This resulted in one hundred percent of Title IV-E foster care claims being charged to state general funds during this time period. The Department collaborated with the twenty two Agency Supported Foster Care providers and NFC to obtain actual source documentation and amounts paid to foster parents for federal fiscal year 2013 and 2014 and recovered \$4.4 million in federal funds. Only one quarter of recovered funds occurred in SFY2014-15, therefore, the Department will only be able to utilize \$589,000 with the remainder being returned to state general funds for prior state fiscal years.

Most recently, the Department was able to negotiate the lifting of the deferral which will allow the Department to claim allowable IV-E foster care maintenance costs beginning October 1, 2014.

In addition, with the passage of LB561, which was enacted in 2013, the Office of Juvenile Services youth began entering the Office of Probation rather than the Department effective October 1, 2013. While the Department was able to transfer the majority of this population to the Office of Probation, the timing of the transfer provided additional pressure to Program

354's state general fund. There is still a small portion of this population that is in the care and custody of the Department which there is no appropriation for.

In order to be in compliance with LB530, which was also enacted in 2013, the Department implemented new foster care rates effective July 1, 2014. Because of the previously identified 'bundled payment' issue, the Department now provides each provider with two payments for each youth. One is the out-of-home maintenance payment that is for the cost of raising a child in Nebraska and an agency supported foster care payment for providers' administrative costs related to foster care. This includes the costs associated with recruitment and retention of foster care homes. The Department collaborated with the Foster Care Rate Committee and Children's Commission in establishing these new rates. Additional costs have been incurred by the Department for time and travel costs for the Agency Supported Foster Care and Family Support providers which have cost an additional \$2.1 million year-to-date.

It is currently estimated that the Department will run out of appropriated state general funds in Program 354 during April 2015. Amendment 242 to LB430 would appropriate \$7 million of the June 30, 2014 unexpended general fund appropriation balance that was re-appropriated to Program 347 – Public Assistance Aid to Program 354 – Child Welfare Aid. Expedited treatment is requested since the Department's supplemental requests for SFY2014-15 will not likely be considered and approved until late May 2015, given a traditional Legislative calendar. The appropriation of \$7 million will allow the Department to continue to operate and provide child welfare services.

I would be happy to answer any questions you may have regarding the issues I discussed today.