

*Alert – Alert – Alert – Alert – Alert – Alert – Alert – Alert – Alert  
– Alert – Alert – Alert – Alert – Alert – Alert – Alert*

## **BUDGET UPDATE**

*A quick summary and overview as the first step in the analysis of the 2005-2006 Commonwealth budget as proposed by Governor Ed Rendell on February 9, 2005.*

The Governor began his remarks yesterday framing the budget process as one filled with “painful choices”, “difficult decisions” but based on a “touchstone of compassion”.

Much of his attention focused on economic development activities, supporting job development and better preparing workers to fill positions critical to the future of the Commonwealth. “Teaching skills for tomorrow’s jobs” framed his 5-year plan to address job readiness and vocational education programming changes. Support for additional training opportunities to retain workers was also identified.

Health care also consumed a significant amount of his slightly longer than one-hour budget address. Health care costs, new initiatives to develop trained health care workers, continuing to address medical malpractice issues and addressing a variety of approaches to curb the “safety net” program of Medical Assistance were discussed. The Governor offered a targeted set of reforms related to Medical Assistance while refraining from making any changes in eligibility criteria.

His comments specific to child welfare services were brief. He noted that child welfare is a significant expense area within the State’s general fund. Projections are that demands for state funds will increase as there is no longer the “TANF cushion”. He also noted a focus on improving outcomes and the development of new formulas based on actual costs to frame the development of the needs based process. (Note: this has been the basis of discussions within the task force addressing the development of the guidelines for the needs based process.)

The Budget briefing presented by Department of Public Welfare Secretary Estelle Richman provided some additional insights. Secretary Richman used a 73-slide PowerPoint presentation to provide additional details of initiatives proposed to control costs within the Department and frequently referenced the “shared sacrifice” across program offices and Departments. The majority of her remarks focused on comparing national experiences with the proposed state plan to address costs within the Medical Assistance program.

A total of 4 slides were specific to child welfare. Juvenile justice was verbally referenced but not specifically addressed. While anticipating specific discussion related to medical assistance realignment activities as a mechanism to shift current state and county costs to a federal source, little specific reference was actually made.

Information as taken from Secretary Richman's briefing presentation:

#### Preserving and Reforming the Safety Net Guiding Principles

- No one currently receiving health care services from the Commonwealth will lose their eligibility.
- No changes will be made to the array of health services and social services provided to children.
  - Pennsylvania will be able to meet the increase in demand anticipated this coming year for services to low-income children, chronically ill adults, uninsured working families, disabled individuals, the infirm elderly and other Pennsylvanians in need.

For FY 2005-06, the budget recommends an increase of \$206 million in State funds for a total of \$838.5 million for County Child Welfare.

An additional \$45 million is provided for Child Welfare TANF Transition.

- Child Welfare NBB was built from actual prior year expenditures plus a cost of living adjustment and a small increase for expanded services.
- Expenditures included increases in mandatory child welfare services and prevention programs and reflect a shift of certain expenditures to Medicaid.
  - Growth in services and supports to children funded through child welfare and MA Realignment increased by 12.3% over FY 2003-04 actual costs and 5.1% over FY2004-05 OCYF projected costs.

Budget Promotes Integration of Behavioral Health and Child Welfare Services

- Major DPW initiative that shifts mental health treatment and other behavioral health services now funded through child welfare dollars to the appropriate payer for these services.

Medicaid Behavioral Health System.

- Provides the opportunity to broaden the continuum of services in the behavioral health to address the needs of children.
- Increases federal revenue, while decreasing reliance on state and local funds.
- Realigns services to a system that has existing credentialing, licensing and other quality assurance structures.

#### Budget Replaces TANF Funds in Child Welfare System to Solve TANF Deficit

- Budget assumes \$225M in TANF funds would be shifted from child welfare budget – leaving a balance of \$68 million in child welfare programs.
- These TANF dollars are replaced through a combination of the Child Welfare TANF Transition appropriation, additional Act 148 funding and the associated local share, as specified by Act 30.
- Counties will continue to be permitted to use the remaining TANF funds to support detention services until December 31, 2005.
- The Child Welfare TANF Transition appropriation, which does not have a matching component, was created to lessen the effect on counties from moving from a 100% funding stream (TANF) to a matching funding stream (Act 148).

#### New Approach to Child Welfare Budget Emphasizes Prevention

- By more appropriately financing behavioral health services through the Medicaid behavioral health system, funds will be made available to enhance prevention efforts.
- Prevention services, such as the Nurse Family Partnership, are known through research and practice to promote healthy behaviors, contribute to parental self self-sufficiency, and set children on the right course.

#### Additional Budget Highlights in summary –

\$251 million in additional funding for county child welfare services to bring the total amount to \$883.5 million.

#### This includes:

\$205,979,000 in additional funding for County Child Welfare needs based requirements as mandated by Act 30 of 1991 including a shift from TANF to state funding.

\$45 million in state funds to non-mandated county welfare services to offset the shift of federal TANF funds - primarily those funds used to support detention center programming. This is a new line item specifically identifying replacement dollars for those lost due to decreases in TANF funding.

#### The \$205,979,000 in additional funding for County Child Welfare includes:

\$142,850,000 specifically for increases in state dollars to support compliance with Act 30 of 1991

\$54,586,000 to replace federal dollars

\$4,969,000 to provide a two percent cost of living increase on purchased services

\$3,574,000 general increase to continue current levels of programming

Additional dollars included to address needs of children include: \$231 million in total funds to serve over 146,000 children through the Children's Health Insurance Program (CHIP) supporting an additional 10,000 children being served through this program in 2005-2006 – a 7.4% increase over this current year.

\$12.5 million in increased funding to provide subsidized child care services for 1,540 more children and increased payment rates for child care providers serving infants, toddlers and preschoolers.

Further discussions are planned with PCYA and OCYF to support more in-depth analysis and understanding of the impacts of these proposals.

Bernadette M. Bianchi  
Pennsylvania Council of Children, Youth and Family Services  
2040 Linglestown Road, Suite 109  
Harrisburg, PA 17110  
Phone: 717-651-1725  
Fax: 717-651-1729  
E-mail: [bernadetteb@pccyfs.org](mailto:bernadetteb@pccyfs.org)