CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 21, 2016

H.R. 5456
Family First Prevention Services Act of 2016

As ordered reported by the House Committee on Ways and Means on June 15, 2016

SUMMARY

H. R. 5456 would amend title IV of the Social Security Act to make various changes to the child welfare system. The bill would provide federal matching funds to states for services that would help children who otherwise might enter foster care remain safely in their homes and for programs to support families caring for the children of relatives. It also would eliminate federal matching funds for some payments for foster children placed in nonfamily settings and would delay for two and one-half years federal matching for payments to certain families who adopt infants and toddlers. Finally, H.R. 5456 would extend the authorizations of several programs that provide child welfare services through 2021.

CBO estimates that enacting this legislation would, on net, reduce direct spending by $66 million over the 2017-2026 period. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply. Enacting H.R. 5456 would not affect revenues.

CBO also estimates that implementing the bill would increase discretionary costs by $2.5 billion over the 2017-2021 period, assuming appropriation of the authorized amounts.

CBO estimates that enacting H.R. 5456 would increase net direct spending and on-budget deficits by more than $5 billion in at least one of the four consecutive 10-year periods beginning in 2027.

H.R. 5456 would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on state governments by increasing the stringency of conditions in the foster care program and by reducing federal assistance for the adoption

assistance program. CBO estimates that beginning in fiscal year 2020 the aggregate cost of the mandates would exceed the annual thresholds established in UMRA for intergovernmental mandates ($84 million in that year, as adjusted annually for inflation). The bill's provisions that would authorize new federal spending for prevention services would provide significant benefits to states.

The bill contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of this legislation are shown in the following table. The costs of this legislation fall within budget functions 600 (income security), 500 (education, training, employment, and social services), and 550 (health).

TABLE 1. SUMMARY OF THE BUDGETARY EFFECTS OF H.R. 5456, THE FAMILY FIRST PREVENTION SERVICES ACT OF 2016

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Estimated Budget Authority	-11	-39	-69	-116	-70	-49	-4	37	87	168	-304	-65
Estimated Outlays	-30	-47	-66	-113	-69	-30	-3	37	87	168	-325	-66
INCREASES IN SPENDING SUBJECT TO APPROPRIATION												
Authorization Level	568	568	568	568	568	0	*	*	0	0	2,840	2,841
Estimated Outlays	261	502	564	566	568	307	66	4	2	0	2,461	2,841

Note: Components may not sum to totals because of rounding; * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 5456 will be enacted in fiscal year 2017, that the authorized amounts will be appropriated each year, and that spending will follow historical patterns.

Background

Under title IV-E of the Social Security Act, states, territories, and tribes are entitled to claim partial reimbursement from the federal government for the cost of providing foster care, adoption assistance, and kinship guardianship assistance to eligible children. A child's eligibility under title IV-E is based on several factors including household income. Assistance provided under title IV-E includes monthly payments on behalf of eligible children and funds for program administration, training, and data collection. States place foster children in family homes, therapeutic family homes, group homes, or residential treatment facilities (RTFs). States establish their own rate structures for paying different providers and those rates vary by type of placement setting; RTFs are usually the most expensive setting, while basic family homes are usually the least expensive.

Changes in Direct Spending

CBO estimates that enacting H.R. 5456 would reduce net direct spending by $66 million over the 2017-2026 period (see Table 2).

Foster Care Prevention Services. H.R. 5456 would provide federal matching funds to states for up to 12 months to provide services to children (and their families) that are at risk of entering foster care, or are foster children who are pregnant, or are parents themselves. The federal match rate would be 50 percent for fiscal years 2020 through 2025 for all states; after 2025 the match rate would be equal to the federal rate paid for medical assistance in each state known as FMAP. That match rate would be paid for services provided to families regardless of their eligibility under title IV-E. Prevention services could include services for mental health, substance abuse, and in-home programs to enhance parenting skills. The Department of Health and Human Services (HHS) would only provide reimbursement for services that they specifically classify as promising, supported, or well-supported, based on a review of research on the effectiveness of those services. The bill would require at least half of all services to be in the well-supported category—the highest classification standard.

Finally, the bill would institute a maintenance-of-effort (MOE) requirement that would require states to spend at least the amount they spent for prevention services in 2014 in order to receive prevention funding. MOE spending would include spending on the Temporary Assistance for Needy Families program, the Social Services Block Grant program, and programs under titles IV-B and IV-E of the Social Security Act. (The MOE requirement would not apply to state spending on prevention under certain demonstration projects.) The new program would only provide federal reimbursement for spending on prevention activities that exceed the MOE level for each state. Based on information from states, HHS, and policy experts, CBO estimates that beginning in 2020 about 30 percent of the spending on prevention services provided by states that exceed the MOE would be eligible for federal reimbursement. By 2026, that amount would increase to 95 percent as more evidence-based practices are identified and states become more adept at using those practices. CBO estimates that enacting this provision would increase direct spending by $1.3 billion over the 2017-2026 period.

TABLE 2. ESTIMATED EFFFECTS OF H.R. 5456 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Foster Care Prevention Services												
Estimated Budget Authority	0	0	0	90	120	150	180	210	250	330	210	1,330
Estimated Outlays	0	0	0	90	120	150	180	210	250	330	210	1,330
Technical Assistance												
Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	5	10
Limitation on Payments												
Estimated Budget Authority	-10	-20	-30	-150	-140	-130	-120	-110	-100	-100	-350	-910
Estimated Outlays	-10	-20	-30	-150	-140	-130	-120	-110	-100	-100	-350	-910
Medicaid												
Estimated Budget Authority	-5	-5	*	-10	-5	-5	*	*	10	10	-25	-10
Estimated Outlays	-5	-5	*	-10	-5	-5	*	*	10	10	-25	-10
Delay of Adoption Assistance												
Estimated Budget Authority	-20	-50	-70	-80	-80	-80	-80	-80	-90	-90	-300	-720
Estimated Outlays	-20	-50	-70	-80	-80	-80	-80	-80	-90	-90	-300	-720
Kinship Navigator Programs												
Estimated Budget Authority	3	7	10	13	14	15	15	16	16	17	47	126
Estimated Outlays	3	7	10	13	14	15	15	16	16	17	47	126
Grants for State Courts												
Budget Authority	20	20	20	20	20	0	0	0	0	0	100	100
Estimated Outlays	1	19	20	20	20	19	1	0	0	0	80	100
Support for Foster Family Homes												
Budget Authority	0	8	0	0	0	0	0	0	0	0	8	8
Estimated Outlays	0	1	3	3	1	0	0	0	0	0	8	8
Total Changes in Direct Spending												
Estimated Budget Authority	-11	-39	-69	-116	-70	-49	-4	37	87	168	-304	-65
Estimated Outlays	-30	-47	-66	-113	-69	-30	-3	37	87	168	-325	-66

Note: * = between -$500,000 and $500,000.

Technical Assistance. H.R. 5456 would appropriate $1 million annually beginning in 2016 for HHS to provide technical assistance and to share best practices with states, Indian tribes, tribal organizations, and tribal consortia to assist them in meeting the requirements under the bill. CBO estimates that enacting this provision would increase direct spending by $10 million over the 2017-2026 period.

Nonfamily Placement. In 2015, about 14 percent of the children in foster care who received assistance under title IV-E resided in nonfamily settings—either RTFs or other group settings. That share has fallen over the last decade and CBO estimates that share will continue to decrease to about 11 percent in 2026 as states find alternative placements for children living in group settings.

Limitation on Payments. H.R. 5456 would end, beginning in 2020, most federal reimbursement for foster care placements in group settings that don't provide specialized treatment services. The cost of placing children in RTFs could remain eligible for a federal match if states met more stringent requirements. First, states would be required to assess and document a child's treatment needs and to determine whether a nonfamily placement is the most appropriate setting, subject to ongoing judicial approval. Second, RTFs would have to meet certain standards, including providing a treatment program that addresses necessary clinical needs and having nursing or other clinical staff available 24 hours, to be qualified to receive nonfamily placements.

To meet those requirements, CBO expects that states would make changes in placement of foster children in order to continue receiving federal reimbursement. CBO expects that in most cases states would place children in family foster homes instead of in group settings; those new placements would require lower monthly maintenance payments (and thus would receive less federal reimbursement). In some cases, states would place children in RTFs rather than group homes, thus increasing monthly maintenance payments (and increasing federal reimbursement). CBO also expects that because states would take several years to recruit and retain additional foster parents, many states would not have enough placements for all children eligible under title IV-E. CBO estimates that about 70 percent of the children residing in group settings other than RTFs in 2020 would simply become ineligible for any reimbursement under title IV-E. By 2026, however, we expect states would increase the number of eligible foster parents and the percentage of children ineligible for reimbursement would decline to about 25 percent. CBO estimates that limiting federal reimbursements for children in group settings would, on net, reduce direct spending by $910 million over the 2017-2026 period.

Medicaid. CBO estimates that Medicaid spending, on net, would decrease by $10 million over the 2017-2026 period, because we expect that fewer children would receive Medicaid services in RTFs (where Medicaid services are more expensive).

Delay of Adoption Assistance. Under current law, eligibility for federal matching funds for adoption assistance is gradually being delinked from certain income and resource requirements based on a phase-in schedule by age of the adopted child. By 2018, all children who meet the other eligibility requirements under title IV-E will be eligible for federal adoption assistance regardless of age. Under H.R. 5456 the current phase-in schedule would be delayed by two and one-half years, which would lower the amount of federal assistance provided to states for that program. CBO estimates that states would lose federal reimbursement for monthly payments to about 110,000 families and that delaying federal reimbursements would reduce direct spending on adoption assistance payments by $720 million over the 2017-2026 period.

Kinship Navigator Programs. Beginning in 2017, H.R. 5456 would allow states to receive federal matching funds equal to 50 percent of total expenditures for kinship navigator services. Those services, which include providing information, referrals, and follow-up services for relatives caring for children removed from their own homes, would be required to meet evidence-based standards established under the bill. Services would be available for family caregivers regardless of their eligibility under title IV-E for foster care payments. Based on information from states that currently operate such programs and from policy experts, CBO estimates that states would spend, on average, $500,000 annually on navigator programs and that by 2021 nearly all states would implement these programs. Thus, CBO estimates that enacting this provision would increase direct spending by $126 million over the 2017-2026 period.

Grants for State Courts. The bill also would authorize direct spending of $345 million annually over the 2017-2021 period for two programs: $325 million for the Promoting Safe and Stable Families (PSSF) program and $20 million for a program to provide grants to state courts. The current authorization for those programs expires at the end of 2016. Consistent with the rules in the Balanced Budget and Emergency Deficit Control Act, the costs of extending PSSF ($325 million a year) are included in CBO's baseline and are therefore not included in the costs attributable to this bill. However, the cost of extending the program for state courts ($20 million a year) is not included in the baseline. Based on historical spending patterns, CBO estimates that direct spending for grants to state courts would increase by $100 million over the 2017-2026 period. (The bill also would authorize discretionary appropriations for PSSF; those costs are discussed below under the heading "Spending Subject to Appropriation.")

Support for Foster Family Homes. H.R. 5456 would appropriate $8 million in 2018 for HHS to make grants to states, Indian tribes, or tribal consortia to support the recruitment and retention of high-quality foster care families. CBO estimates that enacting this provision would increase costs by $8 million over the 2017-2026 period.

Spending Subject to Appropriation

As shown in Table 3, H.R. 5456 would extend the authorization of appropriations for three programs that will expire at the end of fiscal year 2016.

TABLE 3. ESTIMATED EFFECTS ON SPENDING SUBJECT TO APPROPRIATION OF H.R. 5456

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
INCREASES IN SPENDING SUBJECT TO APPROPRIATION												
Stephanie Tubbs Jones Child Welfare Services												
Authorization Level	325	325	325	325	325	0	0	0	0	0	1,625	1,625
Estimated Outlays	195	309	325	325	325	130	16	0	0	0	1,479	1,625
Promoting Safe and Stable Families												
Authorization Level	200	200	200	200	200	0	0	0	0	0	1,000	1,000
Estimated Outlays	64	174	196	198	200	136	26	4	2	0	832	1,000
Adoption and Legal Guardianship Incentives												
Authorization Level	43	43	43	43	43	0	0	0	0	0	215	215
Estimated Outlays	2	19	43	43	43	41	24	0	0	0	150	215
GAO Reports												
Estimated Authorization Level	*	*	0	0	0	0	*	*	0	0	*	1
Estimated Outlays	*	*	0	0	0	0	*	*	0	0	*	1
Total Changes												
Estimated Authorization Level	568	568	568	568	568	0	*	*	0	0	2,840	2,841
Estimated Outlays	261	502	564	566	568	307	66	4	2	0	2,461	2,841

Notes: Components may not sum to totals because of rounding; GAO = Government Accountability Office;
* = less than $500,000.

Specifically, the bill would authorize the appropriation of the following amounts:

- $325 million each year from 2017 through 2021 for the Stephanie Tubbs Jones Child Welfare Services Program (in 2016, the Congress appropriated $269 million for that program),

- $200 million each year from 2017 through 2021 for PSSF (in 2016, the Congress appropriated $60 million for PSSF), and

- $43 million each year from 2017 through 2021 for the Adoption and Legal Guardianship Incentives program (in 2016, the Congress appropriated $38 million for that program).

Based on historical spending patterns, CBO estimates that implementing those provisions would increase outlays by $2.5 billion over the 2017-2021 period and by another 0.3 billion after 2021, assuming appropriation of the authorized amounts.

H.R. 5456 also would require the Government Accountability Office to conduct two studies. CBO estimates that conducting those studies would increase outlays by less than $500,000 over the 2017-2021 period and by $1 million over the 2017-2026 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in direct spending that are subject to those pay-as-you-go procedures are shown in the following table.

TABLE 4. CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 5456 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS ON JUNE 15, 2016

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET DECREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-30	-47	-66	-113	-69	-30	-3	37	87	168	-325	-66

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 5456 would not increase net direct spending and on-budget deficits by more than $5 billion in the first three consecutive 10-year periods beginning in 2027. By the fourth 10-year period, the bill's net costs inflated would exceed $5 billion. There is a great deal of uncertainty surrounding that projection, however, particularly because of the time horizon over which the costs are projected. If inflation, state spending on services for children, or other components of the estimate differ significantly from our projections, the estimated costs also would differ significantly.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill would impose intergovernmental mandates on states by limiting federal reimbursements for some foster care placements and by delaying federal assistance for some placements in the adoption assistance program. The bill also would provide significant benefits to states by authorizing federal assistance for prevention services.

Intergovernmental Mandates

H.R. 5456 would impose intergovernmental mandates, as defined in UMRA, on state governments by increasing the stringency of conditions in the foster care program—particularly by limiting federal reimbursements for children placed in some group settings. For large entitlement programs that provide $500 million or more annually to state, local, and tribal governments, UMRA defines an increase in the stringency of conditions of assistance or a decrease in federal funding for the program as an intergovernmental mandate if states lack flexibility to amend the program to continue providing required services. Because states have limited flexibility to amend their programmatic or financial responsibilities in the foster care and adoption assistance programs, the new limits on federal assistance and the associated new requirements on states would be intergovernmental mandates. CBO estimates that the aggregate costs of mandates in the bill would greatly exceed the threshold established in UMRA for intergovernmental mandates beginning in 2020. The threshold in that year, as adjusted for inflation, is $84 million.

The bill would limit the ability of states to place foster children in group settings and would eliminate federal reimbursement for most such placements beginning in fiscal year 2020. In some years, the aggregate net effect of those mandates would result in savings to states as children are moved to less expensive settings (for example, from group homes to kin-based and other foster families). In other years, those savings would be overshadowed by higher costs for states as they assume full financial responsibility for children remaining in group settings. The costs of caring for children who are living in those settings and who cannot be moved to a reimbursable setting would fall solely on states. To continue placing children in residential treatment facilities, states would have to assess the child's needs to determine the most appropriate placement and to develop short and long-term goals for mental and behavioral health. States would continue to receive reimbursement for administrative costs. CBO estimates that the aggregate net cost of the mandates in fiscal year 2020 would exceed $100 million. In subsequent years, costs would decline, as states recruit additional family foster homes and move children to those settings. Over the 2017-2026 period, CBO estimates that the costs of the mandate would total about $295 million.

The bill also would limit federal reimbursement to states in the adoption assistance program. States receive federal reimbursement for a portion of what they spend to facilitate the adoptions of children with special needs. Current law increases federal reimbursements in the program over time by eliminating income levels from eligibility criteria. H.R. 5456 would delay that phase-in for some children for two and a half years, resulting in lower reimbursements to states. State flexibility in the program is limited, however, by the need to place children in adoptive homes and to relieve pressure on the foster care program. The estimated costs to states from the bill's delay of higher reimbursements would total $720 million over the 2017-2026 period, with annual costs ranging from $20 million to $90 million (see the discussion above under the heading "Basis of Estimate").

The bill would impose other mandates on states participating in the Foster Care program, but CBO estimates that the costs of those mandates would not be significant in any given year. Those mandates include requirements to:

- Develop and implement an electronic case-processing system for placing children in foster homes across state-lines. (States could apply for a grant to develop a case-processing system, subject to evaluation by the Secretary, from a reserve of $5 million available from fiscal year 2017 through fiscal year 2021.); and

- Submit new information and tracking information about foster care placements for the Secretary's annual report to the Congress.

Benefits and Estimated Savings to States

H.R. 5456 would allow states to provide services to children who are at risk of entering foster care, are pregnant, or are parenting foster youth, and their families. Those services could include treatment for mental health and substance abuse and in-home programs for parenting skills. States that choose to provide those additional services would have to record and measure outcomes and monitor progress and positive results. Those and other requirements, including matching contributions, would be conditions of assistance for the new program and not intergovernmental mandates. As noted in the description of federal costs under the heading "Basis of Estimate," CBO estimates that federal spending for the program, in the form of new assistance to states, would total $1.3 billion over the 2017-2026 period.

Section 113 would authorize reimbursements to states of 50 percent of their spending for kinship navigator programs. Kinship navigators help family caregivers find information about financial assistance, legal information and referrals, and other types of resources to help promote stability and permanency. CBO estimates that states would receive $126 million over the 2017-2026 period for such programs.

Finally, over the 2017-2026 period, CBO estimates that states would realize net Medicaid savings as children are moved to and from RTFs. The Medicaid cost for foster children who are treated in RTFs is greater than the costs for most other foster children. Because the bill would tighten requirements for a foster child to be eligible for care in an RTF, there will be net savings as more children are moved from RTFs into noncongregate care situations such as foster families and kin-based services. Net state spending for Medicaid is estimated to decline by about $7 million over the 2017-2026 period.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains no private-sector mandates as defined in UMRA.

PREVIOUS CBO COST ESTIMATES

On March 21, 2016, CBO transmitted a cost estimate for H.R. 4472, the Modernizing the Interstate Placement of Children in Foster Care Act, as ordered reported by the House Committee on Ways and Means on March 16, 2016. The language of H.R. 4472 is similar to section 122 of this bill. H.R. 4472 would authorize appropriations for PSSF only in 2017, so CBO's estimated discretionary costs for that bill are lower.

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