

State Notes

TOPICS OF LEGISLATIVE INTEREST

November/December 2004



Use of the Child Care Fund for Placement Services **Constance A. Cole, Fiscal Analyst**

The Child Care Fund (CCF), appropriated in the Family Independence Agency (FIA) budget, has increasingly become the major fund source for the out-of-home placement of children in the State. The use of other related fund sources, such as Federal Title IV-E and State Ward Board and Care (SWBC), has decreased or stabilized since fiscal year (FY) 1999-2000. Over the past five years, counties in Michigan have used the CCF for juvenile justice and child abuse and neglect services, contracting with private child placing agencies for services. This article provides CCF program background information, including expenditure and caseload trends.

Program Background

The State juvenile justice and child abuse and neglect programs are a large and complex network of State and county service delivery and funding systems. The systems must comply with State laws and administrative rules, and Federal fund source requirements. The services for youth adjudicated as court wards and placed under county responsibility are provided in a number of ways, including the placement of children in community settings as opposed to institutional facilities.

The court ward cases under county supervision may be funded with the Child Care Fund, a combination of State General Fund/General Purpose and Federal Temporary Assistance for Needy Families funds, and under certain conditions are eligible for Federal Title IV-E funds, unless the court order specifies a particular placement. The CCF, governed by MCL 400.117a(2) and (4) and 400.117c, was established for the purpose of the State's sharing with counties the cost of court-ordered services for court wards. With the CCF, the State reimburses 50% of eligible county funds spent for services when the county bills the State.

Court wards under State supervision are funded by Federal Title IV-E funds. The State spends funds for services and submits charges to the U.S. Department of Health and Human Services for reimbursement of a percentage of the funds. The FIA also supervises State wards committed under Public Act 150 of 1974, the Youth Rehabilitation Services Act, funded with Title IV-E, SWBC, and Office of Juvenile Justice (OJJ) Federal and State-awarded grants. The SWBC-funded services are paid for by State funds and the counties are billed a per diem rate of 50% of the service costs. The OJJ funds are awarded to the State for services, such as boot camp or community-based services, and require the expenditure of some State funds.

Wayne County entered into a special arrangement with the State for contract supervision to give the State responsibility for Wayne County child abuse and neglect contracts and to give Wayne County responsibility for county juvenile justice services contracts. The arrangement was instituted after a July 1997 Michigan Supreme Court judgement regarding the CCF reimbursement eliminated the cap on expenditure reimbursement.



CCF Funding History

The CCF caseload and expenditures have increased as the use of other fund sources has declined. The caseload has increased by 144%; in April 1999 it was 2,752 and it increased to 6,728 cases by April 2004. The CCF annual expenditures, which represent State payments, increased by 122% from \$67 million in FY 1998-99 to \$148.5 million in FY 2002-03 (Figure 1). Figure 2 illustrates that the Title IV-E and the SWBC caseloads declined during the same time period by 2,184 and 342 cases, respectively. The data suggest that all counties have increased their use of the CCF as the major funding source for out-of-home placements.

Figure 1

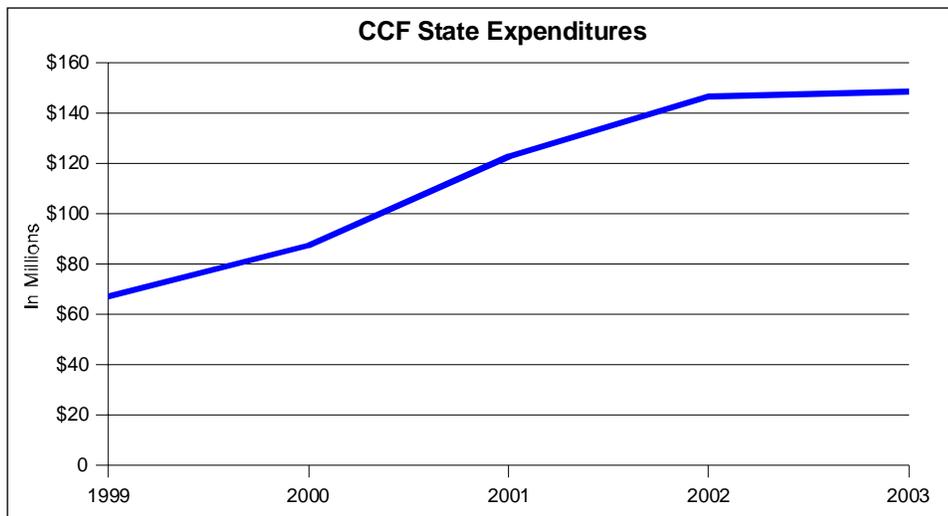
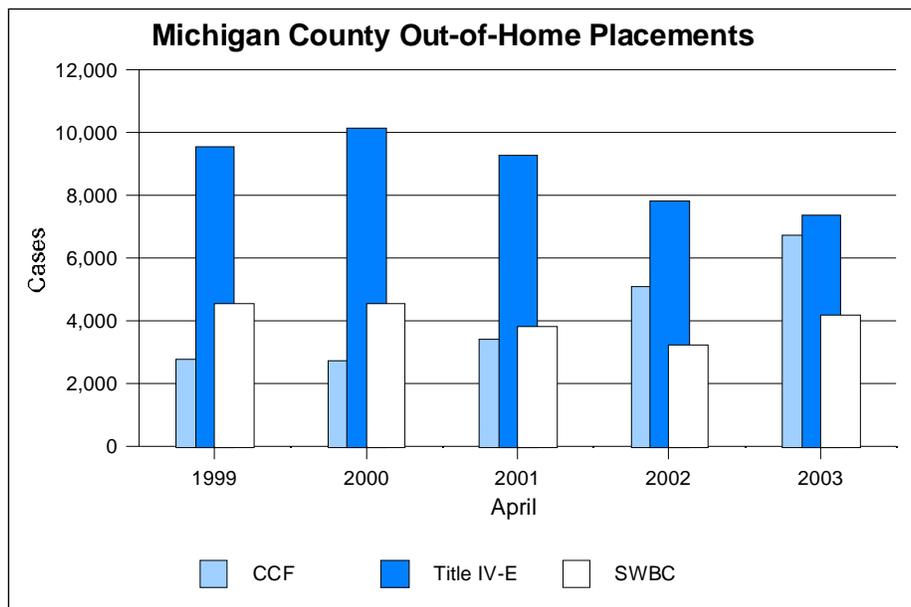


Figure 2



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The Wayne County CCF expenditures represent approximately 50% of all State matchable expenditures. The county billed the State \$153.4 million in FY 2001-02, \$148.8 million in FY 2002-03, and \$176.7 million in FY 2003-04. The expenditures of all counties except Wayne for the same period are \$140.7 million, \$147.3 million, and \$156.2 million.

Summary

The reported spending of the CCF has grown by approximately 98% over the past five years. With no legal cap on spending, and as counties continue to make placement decisions about children's services that move services from State to county supervision, and with increasing Federal restrictions on funding eligibility for out-of-home placements, the State will face mounting demands on its funding capacity.