FY 2017 Obama Administration Budget Proposals

On February 9, 2016, the Obama administration released its proposed budget for Fiscal Year (FY) 2017.

The Obama blueprint outlines a menu of policy and spending options for the House and Senate to consider when the two chambers mark up legislation. Many of the proposals, however, would cost hundreds of millions of dollars, and are unlikely to be approved by a Republican-led Congress.

Below are highlights of the policy and spending proposals the administration submitted to Capitol Hill.

Human Services Budget Proposals

The Health and Human Services (HHS) Budget in Brief for FY 2017 may be found at:
http://www.hhs.gov/sites/default/files/fy2017-budget-in-brief.pdf (178 pp.)

HHS Fact Sheet
http://www.hhs.gov/sites/default/files/fy2017-budget-in-brief.pdf (12 pp.)

Congressional Justification
https://www.acf.hhs.gov/sites/default/files/olab/final_cj_2017_print.pdf (469 pp.)

Child Welfare

The Budget includes an increase of $505 million in FY 2017 for a suite of proposals designed to improve permanency services so children are less likely to need foster care placement in the future, promote family-based care for children with behavioral and mental health needs in order to reduce the use of congregate care, support successful transitions from foster care to adulthood, and improve the quality of child welfare services provided to children through better trained staff and stronger information technology systems.

Permanency Funding: The Budget requests $616 million over 10 years in matching funds for permanency and post-permanency services included as part of a child's case plan. Most of the services funded must be evidence-based or evidence-informed. This re-proposal from the FY 2016 Budget increases federal investment on the front-end of the child welfare service delivery system to prevent removals and foster care placements for children from the outset by allowing title IV-E agencies to claim federal reimbursement with a 50 percent federal match. This includes ensuring families who have been diverted from the child welfare system due to kinship care are properly supported and provided services as necessary.

Family-Based Foster Care Incentives: Proposed last year, the Budget includes savings of $68 million over 10 years to promote family-based foster care for children with behavioral and mental health needs, as an alternative to congregate care, and provides increased oversight of congregate care when such placements are necessary. The proposal does not institute time limits or age restrictions, but it does increase oversight of the use of congregate care.

The proposal would require agencies as a condition of a child's title IV-E eligibility to justify congregate care as the least restrictive foster care placement setting through a documented assessment.

Additionally, a judicial determination is requested at six months and every six months thereafter to confirm that the placement in the congregate facility is the best option for the child.

Increased funding would be provided to support specialized case management using smaller caseloads and specialized training so caseworkers can focus on supporting family-based care specialized casework. And funding would be available for specialized training and salaries for foster parents who provide a therapeutic environment for a child.

The proposal would also provide title IV-E reimbursement for daily supervision costs for children who may need specialized services during the day. This proposal is estimated to cost $76 million in FY 2017, with overall savings of $68 million over ten years.

Enhancing Child Welfare Workforce Development: Proposed last year, the Budget includes $1.8 billion over 10 years to ensure child welfare caseworkers and other professionals have the right skills to best meet the needs of the children, youth, and families in the child welfare system. This funding will enable individuals to earn these degrees in exchange for a commitment to work for the child welfare agency for a time commensurate to the length of the education benefits. To incentivize states to exercise this option, this proposal would offer an enhanced match rate for case planning and management for children in foster care, as well as administrative activities for children who are candidates for foster care, when these activities are significantly performed by caseworkers with either degree.

IT Systems Funding: The Budget provides $131 million over 10 years for an enhanced match for Title IV-E administrative costs related to IT systems development in child welfare.

Psychotropic Medication Initiative: For the third year in a row, the Budget requests mandatory funding in HHS to support a collaborative demonstration project with the Centers for Medicare & Medicaid Services (CMS) to address the over-prescription of psychotropic medications to children in foster care. This investment includes $250 million in mandatory funding over 5 years in HHS, paired with $500 million in new performance-based incentive funds in CMS.

PSSF Boost: The $385 million for Promoting Safe and Stable Families includes an expansion of the Regional Partnership Grants from $20 million to $60 million annually to improve the well-being of children and families affected by substance abuse. Based on 2014 data, parental substance abuse contributed to 30 percent of foster care placements. Consistent with parental addiction, the rate of infants entering child welfare has also increased from a rate of 10.8 per 1,000 infants in 2013 to 11.4 per 1,000 infants in 2014. Moreover, child welfare agencies across the country have reported increases in opioid, heroin, and methamphetamine addiction and a lack of effective treatment services as significant contributing factors to the uptick in the numbers of children entering foster care.

IV-E and Child Support: The Budget also proposes for the third year in a row $46 million in FY 2017 and $492 million over 10 years to require that child support payments made on behalf of children in foster care are used in the best interests of the child rather than being retained by the state.

Temporary Assistance for Needy Families (TANF): For the first time since its enactment in 1996, the Obama administration is requesting an $8 billion increase in the block over the next five years, beginning with an increase of $750 million in FY 2017 to the current $16.5 billion program.

To ensure that TANF and Maintenance of Effort (MOE) funds are better targeted to and used for core benefits and services for needy families, the budget would: require that all TANF and MOE expenditures be for needy families, defined as families with incomes of 200 percent of the federal poverty level or less; add a new purpose to TANF to reduce child poverty; and, prohibit states from claiming non-governmental third-party expenditures as MOE.

In addition, the budget would require that in FY 2017 states use (i.e., spend or transfer) an amount equivalent to 55 percent of their TANF amounts on the following core benefits and services: basic assistance, work-related activities for needy families, and child care.

As in past years, the Budget proposes to repurpose the current contingency fund on a targeted set of promising approaches to reducing poverty and promoting family economic security. The budget would repurpose the $608 million in annual funding for the TANF Contingency Fund to the following:

A *Pathways to Jobs initiative* of $473 million to support state and tribal efforts to provide work opportunities to low-income families through subsidized employment. The initiative would support work opportunities through subsidized employment for low-income parents, guardians, and youth, including summer jobs for youth. Pathways to Jobs would target individuals who are either eligible for TANF cash assistance (including custodial and noncustodial parents with a child eligible for TANF cash assistance) or who are at or below 200 percent of the federal poverty level and face barriers to employment. The program would permit up to 100 percent coverage for wages, workplace benefits, training, and administrative costs associated with up to the first 90 days of employment for eligible individuals. Partial subsidies would also be allowable after the first 90 days.

Two-Generation Demonstration projects of $100 million would focus on achieving parental employment outcomes concurrently with child and family well-being outcomes. The projects would focus on improving parental employment outcomes while at the same time focusing on the needs of children in those families. Funding would be used to help a select group of state TANF agencies implement and build the evidence base for strategies that coordinate existing services, engage new partners, leverage additional resources, and supplement services to low-income families at or below 200 percent of poverty.

Emergency Assistance to Support Families in Crisis: The Budget proposes $2 billion over five years for a new initiative which would fund pilots to test new approaches to providing emergency aid for families facing significant economic hardship and distress, including both short-term financial assistance and connection to longer term supports for those who need them. The initiative would test innovative State and local approaches to aid families facing financial crisis, including families on the brink, for example, because of a temporary illness or a broken down car, and families already in crisis. The funding would provide families the emergency help they need both to avert a downward spiral or to reverse one, and then connect those who need it for longer term assistance, such as income assistance, job training, child care, and mental health and substance use disorder treatment.

The budget allocates $40 million in FY 2017 for a planning year for grantees and $490 million annually from FY 2018 through FY 2021. The pilot would target families with no or very low-incomes through support to approximately 25 state and local grantees. After an initial planning year, grantees could serve more than 475,000 families over the four-year implementation period, assuming an average cost of about $4,000 per family, which includes direct benefits and services, as well as and the cost of staff, including caseworkers, and other administrative costs.

Earned Income Tax Credit (EITC) Expansion: The current EITC for childless workers and noncustodial parents is much smaller with a maximum of $500, which phases out at a very low level of income and adults under the age of 25 are not eligible. The administration once again proposes to double the maximum credit to $1,000 and make the credit available to adults 21 years of age and older earning up to 150 percent of the federal poverty line. The proposal is costly, however, with an estimated $60 billion price tag over ten years.

Addressing the Opioid Epidemic: Across the nation in 2014, nearly 29,000 individuals died from opioid overdose, primarily prescription pain relievers and heroin. The Budget includes $1 billion in new mandatory funding over two years to expand access to treatment for prescription drug abuse and heroin use. It would also include approximately $500 million -- an increase of more than $90 million -- to continue and build on current efforts across the Departments of Justice and HHS to expand state-level prescription drug overdose prevention strategies, increase the availability of medication-assisted treatment programs, improve access to the overdose-reversal drug naloxone, and support targeted enforcement activities.

Homelessness Programs: The administration is requesting $25 million to test innovative projects that support homeless youth, and 8,000 new units of rapid re-housing that provides tailored assistance to help homeless families stabilize in housing and then assists them to become more self-sufficient. The overall Budget for housing sustains funding to support programs dedicated to ending veteran homelessness, while also providing $11 billion in housing vouchers and rapid rehousing over the next ten years to reach and maintain the goal of ending homelessness among all of America's families by 2020.

The Budget also would provide targeted discretionary increases to address homelessness, including 25,500 new units of permanent, supportive housing to end chronic homelessness and 10,000 new Housing Choice Vouchers targeted to homeless families with children.

Runaway and Homeless Youth: A substantial portion of young people who enter emergency shelter return to their families' homes within a few weeks. The Budget requests $2 million to examine strategies to prevent those young people from experiencing homelessness at all and to more successfully ensure that, once youth reunify with their families, they do not return to homelessness. The Budget also proposes $2 million to expand transitional housing for those young people who are not able to quickly return to stable housing. In addition, the Budget requests $2 million to build on the efforts by the Department of Housing and Urban Development, in conjunction with HHS, to conduct a nationwide study of young people experiencing homelessness to better understand the entire population of young people who experience homelessness.

Domestic Trafficking Victims Program: The administration is requesting a $3.3 million increase for a total of $9 million to prevent and address domestic human trafficking. This line item is within the HHS Office of Refugee Resettlement (ORR) budget, since it houses a similar well-established program focusing on foreign trafficking. The proposed increase would expand the competitive grant funding recently appropriated for state, county, tribal and non-profit groups to improve coordination and increase case management and direct assistance to address domestic trafficking.

Chafee Foster Care Independence Program: Funded at the same $140 million level for many years, the administration is proposing a $4 million increase in the program and a policy change to allow those states providing foster care up to age 21 to use Chaffee funds for current or former foster children through age 23.

Unaccompanied Children: HHS notes that the rate of apprehensions of unaccompanied minors at the border in the first part of FY 2016 is higher than the FY 2015 rate. HHS expects arrivals to remain stable and is requesting $1.3 billion for FFY 2017, the same amount of base resources as last year. It does, however, request a $95 million contingency fund in case arrivals increase.

Child Care and Development Block Grant: Another significant increase of nearly $200 million is proposed in discretionary funds for CCDBG, to $2.96 billion in FY 2017. The new funds are intended to assist states in implementing the recently enacted reauthorization which contains provisions to improve quality and allow continuity of child care services for parents whose income may change over the year.

Head Start: Continuing the increased investments in Head Start, the administration proposes another large boost for the program. Funding would increase by over $400 million, to $9.6 billion in FY 2017.

Community Services Block Grant (CSBG): The Administration proposes to return CSBG funding to $674 million in FY 2017, after last year's increase to $715 million.

Low Income Home Energy Assistance Program (LIHEAP): Compared to previous years, the administration is proposing relatively small cut of $390 million to LIHEAP for a level of $3 billion in FY 2017.

Social Services Block Grant: The administration is proposing $1.7 billion for SSBG, the same level as FY 2016. Additionally, the Administration is again proposing that $300 million in additional SSBG funding be provided for each of the next five years to help fund a new initiative, the *Upward Mobility Project*. The Project would allow up to ten states, localities or a consortia of communities to use funds from up to four block grants -- SSBG, CSBG, the Community Development Block Grant and the HOME Investments Partnership Program (HOME) -- for initiatives designed to promote self-sufficiency and improve educational and other outcomes for children.

The administration also proposes a new $10 million set-aside to fund a small diaper pilot project, which will enable government agencies or nonprofits to test approaches to provide low-cost diapers to low-income families with infants and toddlers.

Home Visiting Programs: The Budget proposes to continue the Maternal, Infant, and Early Childhood Home Visiting program at the current level of $400 million.

Elder Justice Act: The administration is proposing $10 million for Adult Protective Services grants. Their FY 2016 budget had requested $25 million. The final FY 2016 spending bill appropriated $8 million for competitive grants to test promising approaches to meeting the growing challenges that State and local APS programs face. That funding announcement has not been released.

Older Americans Act Programs: The administration requests small funding increases for a few OAA programs. Home and community-based supportive services would be increased from $348 million in FFY 2016 to $358 million in FFY 2017 and nutrition services would receive a $14 million boost, to $849 million in FFY 2017.

Child Support: The administration once again proposes to encourage states to pass through current child support collections to families receiving TANF benefits, rather than retaining payments for cost recovery purposes. To encourage states to take up family distribution options, the proposal includes short-term incentive funding to offset a significant share of state costs to implement the policy. The proposal would cost about $1.3 billion over ten years.

Medicaid: In addition to the psychotropic medication for foster children initiative mentioned previously, the administration is proposing some other Medicaid changes. Three are highlighted below.

- <u>100% Federal Match to New States Opting into ACA Expansion:</u> To encourage more states to take up this option, the Budget would give any state that chooses to expand Medicaid eligibility three years of full federal support, no matter when the state expands. As of January 2016, 30 states have elected to expand Medicaid to low income adults with household income up to 133 percent of the federal poverty level.

- <u>Continuous 12-Month Medicaid Eligibility:</u> Proposed in previous budgets, states would be given the option to allow 12 months of continuous eligibility for Medicaid to adults, similar to the option now available for children. These adults are otherwise at risk of moving between Medicaid and federally-subsidized health insurance coverage ("churning") due to changes in income. The 10 year cost to Medicaid is estimated at $34.9 billion but exchange subsidies are projected to be reduced by nearly $23 billion over the same time period.

- <u>Extend Express Lane Eligibility:</u> Set to expire at the end of FY 2017, the administration proposes to extend permanently the ability to states to opt to use the eligibility findings of another federal program such as SNAP or TANF to enroll children in Medicaid or CHIP. The cost is estimated at $870 million over 10 years.

Children's Health Insurance Program (CHIP): CHIP funding expires at the end of FY 2017. The administration proposes to extend CHIP funding for another two years, through FY 2019. The net cost of extending CHIP is estimated at $3.1 billion.

Employment Program Proposals

The Department of Labor budget in brief for FY 2017 may be found at:
http://www.dol.gov/sites/default/files/documents/general/budget/FY2017BIB_0.pdf

Opening Doors for Youth: The Budget proposes $5.5 billion over four years for the Opening Doors for Youth Program. This program will center on making a commitment to a first job and a degree for out-of-school and at-risk youth. The program would provide $3.5 billion over four years in formula grants to support paid employment opportunities to youth. Of this amount, $1.5 billion would support summer job opportunities linked to career information and training opportunities. This funding would require a 50 percent match of youth wages through a combination of other public, business sector, and philanthropic funding, and would provide approximately one million more youth summer employment opportunities.

Opportunity Youth: Another $2 billion would be invested in first jobs for Opportunity Youth (out-of-school, out-of-work youth), providing up to a year of paid work. Each state would be able to design its own program and there would be a 20 percent non-federal match. With this investment, about 150,000 young adults who are out of school and work would gain access to paid employment.

Connecting for Opportunities: An additional $2 billion would be used to launch Connecting for Opportunities, competitive grants to transform communities with high rates of youth disengagement, high school dropouts, and unemployment into places of opportunity for young adults to help them succeed in school and the labor force. The Departments of Education and Labor would administer it.

WIOA Youth Activities: WIOA authorizes services to low-income youth ages 14 through 21 for in-school youth and ages 16 to 24 for out-of-school youth with barriers to employment. While the program serves both in-school and out-of-school youth, WIOA requires that 75% of funds be used to serve out-of-school youth, in order to focus resources on youth facing the greatest challenges in gaining skills and good employment. The FY 2017 Budget requests $902 million for WIOA Youth activities, a $28.7 million increase compared to FY 2016.

Food Assistance Proposals

The USDA Food and Nutrition budget in brief may be found at:
http://www.obpa.usda.gov/budsum/fy17budsum.pdf

SNAP: In large part because of administrative complexities associated with application and recertification, elderly individuals continue to be an underserved population. To help address this concern, the Budget proposes to allow States to streamline application and recertification processes to improve SNAP access for the elderly.

Summer Electronic Benefits Transfer (EBT) for Children: To reduce child hunger during the summer, the Budget proposes an investment of $12 billion over ten years through a permanent Summer EBT for Children program. This would provide supplemental food benefits during the summer months for all families with children eligible for free and reduced price school meals.