



# ACNJ Policy Brief

Association for Children of New Jersey

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## Shortchanging Children

### How the Federal Government Pays Less than Its Fair Share for Services to New Jersey's Children & Families

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#### INTRODUCTION

In the United States, critical programs for children and families are delivered by four different levels of government - federal, state, county and municipal - as well as by private organizations. Similarly, funding for these services may come from different levels of government. But the largest branch of government, the federal level, spends a disproportionately small amount on children. In 2008, only 10 percent of the federal non-defense budget was allocated for children.<sup>1</sup> Although directly comparable data is not readily available for New Jersey, 33 percent of the state's \$33.6 billion budget is appropriated to the state Department of Education alone.<sup>2</sup> By contrast, less than 3 percent of the federal non-defense budget was allocated for education across the nation.<sup>3</sup>

The Association for Children of New Jersey in this policy brief examines the mix of state and federal funding for three key program areas: children's health insurance; prevention of child abuse and neglect; and publicly funded preschool. Our purpose is to educate congressional candidates and advocates on the need for federal support and funding for children and families. Only with adequate

federal funding can New Jersey preserve and strengthen critical services for children.

#### CHILDREN'S HEALTH INSURANCE

*New Jersey's federal share of funding is below the national average.*

In 1997, Congress established the State Children's Health Insurance Program (SCHIP) to insure children whose parents earn too much to qualify for Medicaid and too little to afford private insurance. New Jersey launched its SCHIP program the following year as NJ KidCare. The state expanded the program in 2000 to include adults, renaming it NJ FamilyCare, and by mid-2002 more than 120,000 adults - parents and non-parents - were enrolled.<sup>4</sup> Inclusion of parents is an important way to reach children. Studies show that parents are more likely to enroll children in health insurance programs if they can get coverage for themselves also.

But in 2001, the state had a budget crisis that led it the following year to stop new enrollment of any adults - including parents. Not surprisingly, this contributed to a sharp, 30 percent rise between 2002 and 2006 in the number of New Jersey children with no health insurance.<sup>5</sup> The increase in uninsured children came despite

FamilyCare having one of the most inclusive eligibility standards in the nation.

To address the increase in uninsured children, the state in 2005 partially reversed itself by allowing new enrollment of parents with low incomes. Governor Corzine further widened the program's reach in July 2008 with a law that expands eligibility to parents with incomes up to 200 percent of the federal poverty level. (FamilyCare is open to children with family incomes up to 350 percent of the poverty level.) The expanded eligibility rule for parents is expected to increase the number of adults enrolled by nearly 60 percent to 153,768.<sup>6</sup> It is hoped that as more adults join, more children will be enrolled as well.

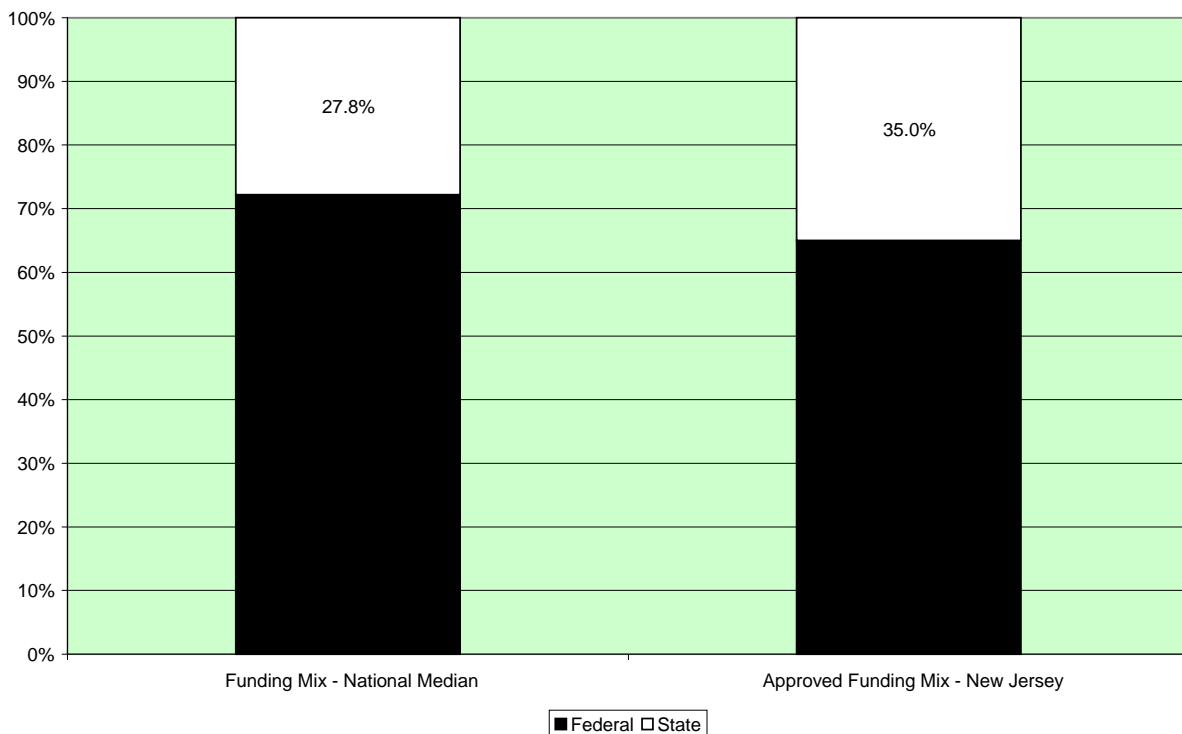
The new law, which took effect in September 2008, mandates that all children in the state have health insurance coverage. It establishes a working group that includes public as well as state government representatives to advise the

state on how to increase enrollment of eligible children and retain them once they are enrolled. The working group will develop monthly targets with the goal of reaching all children by a specified date, which will bring needed accountability and transparency to the enrollment process.

These are worthy and important goals. But New Jersey cannot accomplish them alone. State spending on SCHIP qualifies for a federal match based on the match for Medicaid. Each state's matching rate is calculated on the basis of its average per capita income in relation to the national average. States with low per capita income receive a higher federal matching rate, while states with a high average income receive a lower rate.

This formula hurts New Jersey. Nationally, the federal government pays between 65 and 83 percent of SCHIP costs, with states covering the balance. The median match is 72.2 percent. New

### New Jersey Gets Less Federal Support for SCHIP than Other States



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Jersey is one of 13 states receiving the minimum federal match of 65 percent.<sup>7</sup> The federal funding match to New Jersey is more than 7 points below the national median even though the state has a higher percentage of uninsured children than the national average, 13.3 percent vs. 11.3 percent.<sup>8</sup>

The state is on a path to ensure that all children have health coverage. But it needs federal support and funding to get there. There have been significant threats to even the minimal level of SCHIP support that New Jersey receives. The federal government has attempted recently to restrict states' ability to cover children with family incomes above 250 percent of the federal poverty level. Such arbitrary restrictions would greatly hurt the ability of high-cost states like New Jersey to insure children from families of low to moderate means.

The issue of differing income-eligibility rules among states is likely to arise when SCHIP comes up for reauthorization in March 2009. It is critical that when the program is renewed, New Jersey continues to have discretion over its income-eligibility guidelines. Only in this way can the state make the best use of SCHIP to protect the health of children. It is also critical that SCHIP be reauthorized at full funding so that New Jersey and other states can make sure their youngest residents have health coverage.

Apart from SCHIP reauthorization, the federal government needs to extend a hand to New Jersey in light of the current economic downturn. The problems in the nation's financial services industry, in particular, are expected to hit New Jersey hard. The financial sector employs many of New Jersey's residents and accounts for a substantial portion of its income tax revenues. Governor Corzine estimated in October 2008 that tens of thousands of New Jerseyans who work in this sector will lose their jobs. That means an

increase in families without employer-sponsored health insurance.<sup>9</sup>

Even before the downturn, New Jersey faced crisis numbers of people without health insurance - about 1.25 million residents in total, of which 240,000 are children.<sup>10</sup> In light of the economic problems, the federal government should provide temporary relief to state Medicaid programs as it did in 2003. At that time, the federal government increased its funding match by 2.95 percent for 15 months. If that were put in place now, New Jersey would get about \$280 million in much needed funds.<sup>11</sup>

## **PREVENTION OF CHILD ABUSE AND NEGLECT**

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*Federal funding rules hurt New Jersey's ability to keep children safe with their families.*

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The key to preventing child abuse and neglect is a robust commitment to strengthen families in ways that children may flourish. New Jersey has been innovative and forward-thinking in this area. Its Division of Prevention and Community Partnerships funds primary and secondary child abuse prevention efforts to meet the needs of families before child maltreatment emerges. These services fall within five areas: early childhood services; family support and engagement; school-linked services; domestic

### **Examples of Specific Services for Prevention of Child Abuse and Neglect**

- home visitations to teach parenting skills to new mothers in at-risk families
- community-based Family Success Centers ("one-stop" agencies that provide resources and supports for families before they find themselves in crisis)
- school-linked services that allow students and families to receive social, health, and employment services on school campuses
- programs for children who have witnessed domestic violence in their homes, as well as a domestic violence shelter and 24-hour domestic violence in every county.<sup>12</sup>

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violence services; and social services provided through county welfare agencies.

Such programs are crucial to preventing child abuse and neglect. But of New Jersey's total 2009 appropriation for these services, only 15 percent comes from federal sources.<sup>13</sup> A key problem is that the federal government's major child welfare program awards funds to states based on the cost of providing out-of-home care to eligible children - not services to prevent the need for out-of-home care.

New Jersey children are shortchanged by the federal child welfare program in other ways as well. The program, called Title IV-E for the section of the Social Security Act that authorizes it, covers a portion of states' costs for children removed from welfare-eligible homes because of maltreatment. Its funding (approximately \$4.6 billion per year) is structured as an uncapped entitlement: Any qualifying state expenditure is partially reimbursed, or "matched," without limit. But documentation requirements are burdensome, with four categories of expenditures for which states may claim federal funds and four different rates at which expenditures are matched. In addition, several statutory eligibility rules must be met in order to justify the Title IV-E claims made on a child's behalf. Some apply at the time a child enters foster care while others must be documented on an ongoing basis. The time and costs involved in these claims is significant.<sup>14</sup>

New Jersey's eligibility rate for federal reimbursement is one of the lowest in the nation. The state in 2005 ranked 47<sup>th</sup> nationally in its percentage of foster children eligible for Title IV-E funds, according to the Child Welfare League of America. The state received federal money for only 19 percent of its 12,042 children in out-of-home care, about half the national median of 37 percent. Among New Jersey's neighbors, New York got federal funds for 54

percent of its foster children and Pennsylvania received matches for 64 percent.<sup>15</sup>

New Jersey's low eligibility rate for Title IV-E funds arises from many factors, including the state's high cost of living and greater use of alternatives to placement, such as community-based care. The unreasonably low funding match for children in placement together with the minimal federal support to prevent placement harms children. New Jersey needs more federal support to help vulnerable children and families.

Three years ago, the U.S. Department of Health and Human Services acknowledged problems with Title IV-E and recommended an alternative. The Child Welfare Program Option would allow states to use Title IV-E funds for foster care payments, prevention activities, training, and other service-related child welfare activities – a far broader range of uses than allowed under current law. The increased flexibility would empower states to develop child welfare systems that support a continuum of services for families and children at risk while being relieved of the administrative burden created by current federal requirements.

But proposed funding for the Child Welfare Program Option would be based on the historical distribution of Title IV-E funds. Each state's funding would be capped for five years at an amount equivalent to anticipated Title IV-E program levels. A state could choose to receive accelerated, upfront funding in the early years of the program to invest in services likely to save money in later years. But overall state allocations would have to be cost-neutral to the federal government over the five-year period.<sup>16</sup> It is questionable to what degree this new program option would help New Jersey because it would continue to lock the state into its historically low levels of federal support. As of this writing, the Child Welfare Program Option has not been enacted.

On October 7, 2008, President Bush signed into law the Fostering Connection to Success and Increasing Adoptions Act (H.R. 6893). This act should ultimately help to place more children and youth in foster care in permanent families by promoting relative guardianship and adoption. The law also promised to improve education and health care for foster youth. But it provides no immediate additional funding for prevention activities.

The federal government needs to offer an alternative to Title IV-E that stops penalizing innovative states. New Jersey has historically funded child welfare prevention and permanency programs that reduce the number of out-of-home placements. The federal government needs to factor in such innovative practices when determining a fair funding level for child welfare.

**PUBLICLY FUNDED PRESCHOOL**

*New Jersey leads the nation in state expenditures for preschool.*

New Jersey is a national leader in providing high-quality, publicly funded preschool to low-income children. More than 40,000 youngsters in many of the state’s poorest districts attend two years of full-day preschool at ages 3 and 4. Research and test scores show it makes a difference. A study by the National Institute for Early Education Research found that children who attended Abbott preschools, whether public or community-based, showed substantial gains in language, literacy and math. In addition, recent New Jersey state test scores suggest the gains from preschool extend through primary grades. In 2006-07, nearly 70 percent of Abbott fourth-graders passed or scored advanced proficient in math, an almost 25-point increase from four years earlier. These fourth-graders were among the first to have had the advantage of two years of preschool.

New Jersey now wisely plans to build upon its preschool success by expanding the program to serve all children eligible for free or reduced-

price school lunches. This exciting and promising expansion will be phased in over six years. It will ultimately increase the number of children served to 70,000.<sup>17</sup>

Considering the breadth of New Jersey’s preschool program, it is no surprise the state leads the nation in the amount of resources invested in early education. The state’s 2009 budget calls for \$544 million in preschool aid to districts. New Jersey in 2007 ranked number one in spending per child enrolled in preschool (\$10,494). Coming in second was Oregon, which spent significantly less, \$7,853 per child. Twelve states had no state preschool programs and therefore zero spending. The national median of per child spending was \$2,966, less than a third of New Jersey’s investment.<sup>18</sup>

New Jersey Ranks No. 1 in Preschool Investment		
Rank	State	State \$ Per Child
1	New Jersey	\$10,494
2	Oregon	\$7,853
3	Connecticut	\$7,707
4	Minnesota	\$7,251
5	Delaware	\$6,745

In contrast to New Jersey’s investment in preschool, federal funding is limited and geared to specific preschool populations. The largest federal contribution is \$130 million for Head Start, which provides comprehensive early education and services to low-income preschool students. The federal government also provides \$70.8 million in subsidies for lunches and breakfasts for low-income preschoolers and \$11.2 million for educating disabled preschool students. The total federal contribution amounts to \$212 million. That is just 28 percent of total preschool spending in New Jersey when including funding for special education preschool students.<sup>19</sup>

High-quality early education needs to be a federal as well as state priority. The Providing Resources Early for Kids (PRE-K) Act of 2007

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would amend the Elementary and Secondary Education Act of 1965 to direct the secretary of education to award matching grants to states that enhance or improve state-funded preschool programs. Federal funds could be awarded for enhancements such as: increasing the qualifications of and benefits provided to teachers, teacher aides, and program directors; decreasing class size and improving teacher-to-student ratios; providing certain comprehensive services that support healthy child development; extending program hours per day and weeks per year; and improving program monitoring and learning environments.<sup>20</sup> The PRE-K Act (HR3289) needs to be passed so that states like New Jersey can build upon their success with preschool.

## CONCLUSION

In the three program areas examined in this brief – children’s health insurance, prevention of child abuse and neglect, and preschool – New Jersey is a national leader. But the state’s needs are great and likely to grow. In the current economic slowdown, more families are likely to lose private, employer-sponsored health insurance. More children may be subject to abuse or neglect. More youngsters may come from low-income families and need high-quality, publicly funded preschool to enable them to succeed in school and to contribute to the future of New Jersey and the nation.

Federal funding processes are detailed and complex. We must look beyond formulas and regulations and recognize that the most effective, innovative and efficient children’s programs need more federal support. The federal government needs to become a more equal partner in helping New Jersey children.

## FOOTNOTES

- <sup>1</sup> First Focus, *Children’s Budget 2008*, p. 3
- <sup>2</sup> *New Jersey State Budget 2009*, adjusted appropriations for 2008 pp. B-49-52
- <sup>3</sup> First Focus, *Children’s Budget 2008*, p. 19
- <sup>4</sup> Castro, Raymond J., *Falling Short: Time to Keep the FamilyCare Promise*, May 2007, p. 6
- <sup>5</sup> Association for Children of New Jersey, *Kids Count 2008: The State of Our Children*, p. 24
- <sup>6</sup> NJ Governor’s press release, *Governor Signs Progressive FamilyCare Legislation*, July 7, 2008
- <sup>7</sup> Kaiser Family Foundation, <http://www.kff.org/content/chartsdata.cfm> (accessed 10/8/08)
- <sup>8</sup> Georgetown University Center for Children and Families, <http://ccf.georgetown.edu/index/data-healthcoverage> (accessed 10/10/08)
- <sup>9</sup> Philadelphia Inquirer, *Rendell, Corzine Order Cuts in Trying Times*, October 2, 2008, <http://www.philly.com/philly/news/homepage/30082454.html>, (accessed 10/10/08)
- <sup>10</sup> New Jersey P.L.2008, Chapter 38, C.26:15-1
- <sup>11</sup> Testimony by Commissioner Jennifer Velez, New Jersey Department of Human Services, at the Joint Hearing of the New Jersey Assembly Health and Senior Services and Human Services Committees
- <sup>12</sup> NJ Department of Children and Families website (various web pages accessed 10/3/08)
- <sup>13</sup> *New Jersey State Appropriations Handbook 2008-2009*, pp. B-19 and D-1
- <sup>14</sup> US Department of Health and Human Services, *ASPE Issue Brief: Federal Foster Care Financing*, August, 2005, p. 1. Federal foster care appropriation updated with 2008 amount from the First Focus Children’s Budget 2008, p. 14.
- <sup>15</sup> Child Welfare League of America, *New Jersey’s Children 2008*, p. 3. State rankings were tabulated by ACNJ using data from CWLA reports for each state and the District of Columbia.
- <sup>16</sup> US Department of Health and Human Services, *ASPE Issue Brief: Federal Foster Care Financing*, August, 2005, pp. 18-19
- <sup>17</sup> *New Jersey 2009 Budget in Brief*, p. 37
- <sup>18</sup> National Institute for Early Education Research, *The State of Preschool 2007*, p. 20
- <sup>19</sup> Funding amounts supplied by New Jersey State Office of Management and Budget.
- <sup>20</sup> Library of Congress, *Summary of HR3289*, <http://thomas.loc.gov/cgi-bin/bdquery/z?d110:HR03289:@@D&summ2=m&> (accessed 9/29/08)

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