



NC Justice Center

*Opportunity  
and prosperity for all*

## **Four Changes (besides Medicaid) You Should Know about the 2006 Federal Budget**

March 2006

On February 3, 2006 Congress passed a budget for the 2006 federal fiscal year that had started five months earlier on October 1. Known as the Deficit Reduction Act of 2005 (S.1932), the budget includes \$40b in cuts to programs serving low and moderate income Americans. In most cases, the cuts were made by limiting access to existing programs by adding new program requirements and bureaucracy. Congress then exempted some federal agencies from notice and comment requirements when they issue regulations pertaining to the budget changes. (See [www.cbpp.org](http://www.cbpp.org) or [www.clasp.org](http://www.clasp.org))

The four non-Medicaid changes to know:

- 1. NC Child Protective Services may need to be overhauled due to retroactive funding restrictions.**
  - a) Federal foster care funds can no longer be used to pay grandparents (and certain other relatives) who are caring for their abandoned grandchildren. (Sets aside *Rosales* decision)
  - b) Other child welfare funding sources are subject to new restrictions that may make them unavailable to use to implement our current child protection system.
  - c) These funding changes are retroactive to October 1, 2005.
  - d) Hundreds of kids will be directly impacted, but the entire child welfare system will be affected.
  - e) We need to help county DSS offices identify these children and find creative ways to continue to meet their needs so the kids can stay with relatives and get essential case management and other services.
  
- 2. The TANF Block Grant was Reauthorized with new requirements and no new money.**
  - a) Since Congress passed the Temporary Assistance to Needy Families (TANF) block grant (welfare reform) in 1996 they have been declaring it a success.
  - b) Nonetheless, this budget reauthorizes the program with dramatic changes accompanied by no new funding in spite of 10 years of funding erosion due to inflation.
    - (1) Regulatory changes may dramatically alter how the counties and state are able to conduct their welfare program.
      - (a) Narrower definitions for work activities, "child only cases" and how hours of work requirements must be recorded and verified will be issued July 1, 2006 (without notice and comment).
      - (b) State work participation rates will increase over 50%, meaning that about 3,100 more NC Work First families (out of only 15,000 left on the rolls) will have to meet more narrowly defined work requirements or go permanently off the rolls.

- (2) NC is allocated about \$150 new money per month per family to cover child care expenses for each of the 3,100 families who must now participate in work. NC child care costs average over \$450/month, and can be much more. 35,000 kids are waiting for subsidy.
- c) If NC fails to meet these new TANF requirements it risks being fined \$15-17m per year plus other fiscal penalties.
- d) We need to help state and county DSS see how they can continue to help poor parents with children to get a job and work education, rather than just cutting them off the rolls. (Increase income disregards, more use of OJT and voc ed etc.)
- e) Plans regarding changes in the federal agency structure of child care subsidy and new regulations to implement these new work participation requirements do not have to follow administrative procedures act, BUT many national groups are sending letters of comment to HHS Secretary Leavitt in hopes of improving the final product. ([www.chn.org](http://www.chn.org))

### **3. Child Support Enforcement (IV-D) funding is cut starting October 1, 2006.**

- a) NC is expected to lose \$241.2m over 10 years, with most losses in the later five years.
- b) For every dollar spent on Child Support Enforcement, a minimal estimate is that \$2 are collected in child support in NC.

### **4. SSI disability payments will no longer be made in lump sums upon qualification.**

- a) On average SSI disability applicants wait over two years before their case is approved.
- b) The 2006 budget would limit their back-benefit payment to no more than three months worth of benefits at first with the remainder being paid to them over one year.
- c) Some real savings will occur because some approved recipients will die before they get the full back benefits they are owed.
- d) This will affect clients' ability to pay outstanding bills that accrued while they were going through the SSI application process and could affect private attorney fee awards for representation of these clients.

## **NEXT STEPS AND WHAT YOU CAN DO**

First the NC Division of Social Services and each county Department of Social Services will be trying to determine how many foster children are living with a grandparent or other relative and therefore, will be affected by the cut in funding for their care. Learn how your county DSS plans to respond and whether County Commissioners will allocate more funds. Encourage them to find the money to allow these children to stay with their relatives.

The State Division of Social Services will also be assessing what policy changes are needed for North Carolina's Work First program to meet the new federal work and other requirements. On July 1, 2006 USHHS will be issuing new federal regulations regarding the TANF block grant that will help guide North Carolina in this process, but the state and counties are already looking at the options available to them. Encourage them to continue to serve low income families in their time of need and to help those families gain employment.

Watch for updates at the NC Justice Center's web site [www.ncjustice.org](http://www.ncjustice.org).