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Leveraging federal funding for COVID-19 response

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SUMMARY

Wade Carlson, Foster America fellow with New Mexico's Children, Youth, and Families Department (CYFD), is helping his state maximize federal stimulus opportunities to increase financial support and protection for families during the COVID-19 crisis.

THE OPPORTUNITY

CYFD is responsible for providing New Mexico's behavioral health, protective, early childhood, and juvenile justice services. The agency was already on track to incur in excess of $1 million in unbudgeted expenses due to the COVID-19 crisis when state legislators began discussing statewide budget cuts that would constrain resources even further, due to decreased tax revenues and sharp increases in unemployment claims.

Yet birth and foster families need more support than ever. The stress and isolation of the pandemic are likely to result in an increased need for social services well into the future. Meanwhile, newly teleworking frontline staff are experiencing the toll of long workdays and unfamiliar working conditions, with inevitable effects on productivity and turnover. It is, as Wade notes, a "perfect storm."

THE SOLUTION

Prior to the pandemic, public finance expert Wade had been tasked with maximizing federal funding for child welfare. He was well positioned to help CYFD address these new challenges.

Identify available resources and understand eligibility. Two federal bills, passed in March 2020, provide temporary funding support to help states with pandemic-related budget challenges:

- *The Families First Coronavirus Response Act* temporarily permits eligible states to increase their Federal Medical Assistance Percentages (FMAP rates) by 6.2 percentage points, beginning January 1, 2020. These funds provide a critical source of unrestricted funding.
- *The CARES Act* appropriated an additional $45 million for child welfare services. These state funds are restricted to eligible activities and must be returned to the federal government if unspent. Examples of eligible expenses include sanitizing products and personal protective equipment for staff, payroll expenses for staff who are substantially dedicated to responding to the COVID crisis, and improvements in telework capabilities.

The President's declaration of emergency on March 13, 2020, also made *Federal Emergency Management Association* (FEMA) funding available for protective measures taken to respond to the pandemic. FEMA will reimburse eligible expenses at 75 percent.

Document eligible expenses. CARES Act funding is "use it or lose it." To claim reimbursement, all pandemic-related expenses must be segregated in the agency's accounting software and well-documented. New Mexico had to quickly adapt its information systems to capture and track dollars spent on pandemic response.

Agencies cannot receive reimbursement from multiple federal funding sources for the same expenses, so CFYD had to next decide which funding source to pursue first. Because FEMA funding has the highest denial rate of the three opportunities, CYFD decided to submit COVID-related expenses to that agency first. Claims denied by that agency were then submitted for CARES Act funding.

Use FMAP increases to fund direct services. FMAP funds are the most flexible; however, this also makes them vulnerable to redirection to fill gaps in other areas of the state budget. Wade knew the best way to ensure these funds were spent on the direct services for which they were intended would be to spend them quickly.

He quickly researched the financial impact of the pandemic on his agency, as well as how the increased FMAP rate could best be used to support children and families. The state decided to create a temporary monthly supplemental payment for foster caregivers to offset increased expenses and provide a buffer for families experiencing income losses. (See Some States May Be Able to Increase Foster Parent Payments During COVID-19 from the Annie E. Casey Foundation for more information.)

Because Wade had previously gathered considerable financial data about expenditures for foster care, he was able to forecast the total cost of potential supplemental payments to determine a payment increase that would be of substantial help to youth and families without further burdening the agency's budget. Using this data, his office arrived at a proposed supplemental payment of $175 per month (an increase of approximately 25 percent) for the 1,900 children in foster care and more than 300 youth receiving independent living services.

THE RESULT

As a result of its quick work, CYFD will fully expend its CARES ACT funding. FEMA and CARES Act dollars helped the agency provide additional personal protective equipment to families, deliver food to isolated tribes and pueblos, and support distance learning for children suddenly out of school.

The state's supplemental foster care payment will fully deploy the agency's FMAP increase directly to families with minimal additional impact on the state's budget. These supplemental payments are helping to offset caregivers' financial burdens, including increased food and utility expenses and potential loss of income. Ameliorating these stressors may help to stabilize foster care placements and prevent disruptions.

RESOURCES

- Information memorandum about the Families First Coronavirus Response Act and CARES Act, US Department of Health and Human Services
- Some States May Be Able to Increase Foster Parent Payments During COVID-19, The Annie E. Casey Foundation
- Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments, U.S. Department of the Treasury
- Coronavirus Relief Fund Frequently Asked Questions, U.S. Department of the Treasury
- Key Questions about the New Increase in Federal Medicaid Matching Funds for COVID-19, KFF
- Seeking FEMA Assistance to the COVID-19 Pandemic, National League of Cities