



COMMONWEALTH of VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
*Office of the Commissioner*

S. Duke Storen  
Commissioner

**MEMORANDUM**

**DATE:** May 4, 2020

**TO:** The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Janet D. Howell, Chairperson  
Senate Finance and Appropriations Committee

The Honorable Luke E. Torian, Chairperson  
House Appropriations Committee

Mr. Daniel Timberlake, Director  
Department of Planning and Budget

**FROM:** S. Duke Storen *S. Duke Storen*

**SUBJECT:** Report on the Impact of Enhanced Federal Medical Assistance Percentages

I am pleased to submit the estimate of the annual impact of enhanced Federal Medical Assistance Percentages (FMAP) associated with federal H.R. 6021, the Families First Coronavirus Response Act (FFCRA), on all Title IV-E foster care and adoption programs. This report is pursuant to Chapter 1283 of the 2020 Acts of Assembly. Thank you and please let me know if there are questions.

Attachment

cc: Gena Boyle Berger, Deputy Secretary of Health and Human Resources

**Virginia Department of Social Services**  
**Report on Annual Impact of Enhanced Federal Medical Assistance Percentages**  
**May 4, 2020**

**Report Mandate**

Chapter 1283 directs the Department of Social Services (DSS) to provide an estimate of the annual impact of enhanced Federal Medical Assistance Percentages (FMAP) associated with federal H.R. 6021, the Families First Coronavirus Response Act (FFCRA), on all Title IV-E foster care and adoption programs. DSS shall report these estimates by fiscal year, fiscal quarter, service area, and fund detail to the Department of Planning and Budget (DPB) and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees within 10 days of the enactment of the Act.

**Background**

The DSS is responsible for administration of the federal Title IV-E program. Under the IV-E program, states are required to provide foster care maintenance payments and adoption assistance payments to eligible children, and the federal government is obligated to reimburse states for a part of the cost of those payments.

A state's FMAP is used to determine the federal share of IV-E foster care maintenance, adoption assistance, and guardianship assistance payments. These payments are provided on an ongoing basis to an eligible child's foster care provider, adoptive parent, or legal kinship guardian.

**Enhanced FMAP Rate Contributes to General Fund Savings**

The FFCRA (P.L. 116-127) authorizes increased federal funding to states through a 6.2 percentage point increase in the FMAP rate. This increase is retroactive to January 1, 2020, the first day of the calendar year quarter in which the U.S. Secretary of Health and Human Services declared a public health emergency and remains in place until the last day of the calendar year quarter in which the public health emergency period ends.

Tables 1 – 4 below illustrate the impact of the increased FMAP rate on DSS's Child Welfare and Child Support Enforcement programs. In order for DSS to remain whole, the general fund child welfare savings from the increased FMAP rate must be offset by the reduced child support retained earnings, also due to the increased FMAP rate. Therefore, it is requested that general fund savings of approximately \$1.1M be retained by DSS and transferred from program 469, Child Welfare Services to Program 463, Child Support Enforcement Services. If the Department is not allowed to retain and transfer these general funds, the Department will forego federal funds of \$2.1M for a total loss in funding of \$3.2M.

DSS estimated general fund savings for the January 1, 2020 – June 30, 2020 time period are shown in Table 1. There is a corresponding increase expected in nongeneral fund (Fund 10000) expenditures.

**Table 1**

<i>Enhanced FMAP Foster Care and Adoptions - SFY 2020</i>				
<b>IV-E Main. Pymts</b>	<b>Service Area</b>	<b>Quarter Ending Mar-20</b>	<b>Quarter Ending Jun-20</b>	<b>SFY 2020</b>
Adoption Assistance	46903	\$ 1,865,437	\$ 1,781,227	\$ <b>3,646,664</b>
Foster Care	46901	\$ 959,978	\$ 959,925	\$ <b>1,919,903</b>
KinGAP	46901	\$ 648	\$ 648	\$ <b>1,296</b>
<b>Total Estimated GF Savings (Fund 01000)</b>		<b>\$ 2,826,063</b>	<b>\$ 2,741,800</b>	<b>\$ 5,567,863</b>

**Impact of the FMAP on the Child Support Enforcement (CSE) Collections**

Pursuant to federal guidelines, DSS is allowed to retain a portion of child support collections for eligible IV-E foster children with the remaining portion retained by the federal government. These retained collections are state funds. Prior to the FMAP rate change, DSS and the federal government each retained 50 percent of the collections. With the increased FMAP rate however, the DSS retained collections will decrease by 6.2 percent. These collections are leveraged, along with General Funds, as 34 percent state share through Title IV-D for the administration of the Child Support Enforcement program. The projected reduction in state funds and corresponding reduction in federal funds are shown in Table 2.

**Table 2**

<i>Enhanced FMAP CSE Foster Care - SFY 2020</i>				
<b>CSE Foster Care Revenue</b>	<b>Service Area</b>	<b>Quarter Ending Mar-20</b>	<b>Quarter Ending Jun-20</b>	<b>SFY 2020</b>
State Funds - Matched Incentive Funds (Fund 02353, 34%)	46301	\$ (33,083)	\$ (26,706)	\$ <b>(59,789)</b>
Federal Funds (Fund 10000, 66%)	46301	\$ (64,221)	\$ (51,841)	\$ <b>(116,062)</b>
<b>Total Estimated NGF Reduction</b>		<b>\$ (97,304)</b>	<b>\$ (78,547)</b>	<b>\$ (175,851)</b>

In addition, the FMAP rate change negatively affects the cost recovery retained from Temporary Assistance for Needy Families (TANF) collections in the CSE program. The agency also retained these collections at a 50 percent rate prior to the FMAP change, and Table 3 shows the projected impact of the FMAP increase on TANF collections in FY 2020. This reduction in cost recovery will decrease the level of child support services provided by the agency without a corresponding General Fund increase to replace the lost funding. Further, the TANF program does not benefit from the increased FMAP rate.

**Table 3**

<i>Enhanced FMAP CSE TANF - SFY 2020</i>				
<b>CSE TANF Revenue</b>	<b>Service Area</b>	<b>Quarter Ending Mar-20</b>	<b>Quarter Ending Jun-20</b>	<b>SFY 2020</b>
State Funds - Matched Incentive Funds (Fund 02353, 34%)	46301	\$ (581,877)	\$ (446,402)	\$ <b>(1,028,279)</b>
Federal Funds (Fund 10000, 66%)	46301	\$ (1,129,526)	\$ (866,545)	\$ <b>(1,996,071)</b>
<b>Total Estimated NGF Reduction</b>		\$ <b>(1,711,403)</b>	\$ <b>(1,312,946)</b>	\$ <b>(3,024,350)</b>

Table 4 shows the estimated FMAP GF savings assuming the reduction in retained child support collections are offset by child welfare FMAP GF savings.

**Table 4**

<i>Enhanced FMAP DSS - SFY 2020</i>				
<b>FMAP Impact</b>	<b>Service Area</b>	<b>Quarter Ending Mar-20</b>	<b>Quarter Ending Jun-20</b>	<b>SFY 2020</b>
Total Child Welfare Services GF Savings	469	\$ 2,826,063	\$ 2,741,800	\$ <b>5,567,863</b>
Total CSE State Funds – Matched Incentive Funds	463	\$ (614,961)	\$ (473,108)	\$ <b>(1,088,068)</b>
<b>Total Estimated Net Savings</b>		\$ <b>2,211,102</b>	\$ <b>2,268,692</b>	\$ <b>4,479,795</b>

It should be noted that if \$1,088,068 of estimated child welfare general fund FMAP savings in FY 2020 are not transferred to the Child Support Enforcement program to offset the reduction in CSE retained collections due to the FMAP change, the Department will also forego federal child support revenue of \$2,112,133 for a total loss in funding of \$3,200,201 (\$-175,851-\$3,024,350).