

**Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB578 **Patron:** Glass
Bill Title: Foster care; federal benefits; representative payees.

Bill Summary: Requires local departments of social services to screen any child in foster care for eligibility for certain federal benefits and to apply for such benefits for which the child may be eligible. Under the bill, local departments are required to review existing representative payees to ensure that the representative payee is adequately representing the child's best interests and take appropriate actions necessary to appoint a different representative payee if necessary. The bill specifies that a local department shall only serve as representative payee when no other suitable candidate is available. The bill places limitations on the use of such federal benefits by local departments. Under the bill, if the local department serves as representative payee, it is required to provide an annual accounting detailing the use of such benefits to the child and certain individuals. The bill requires the Department of Social Services to develop and provide training sessions for (i) representative payees serving children in foster care regarding fiduciary obligations associated with serving as a representative payee and (ii) children in foster care who are age 14 and older regarding accessing, managing, and using certain federal benefits.

Budget Amendment Necessary: Yes **Items Impacted:** 271, 328, 330, and 333

Explanation: This legislation will impact both the Department of Social Services and the Children's Services Act.

Fiscal Summary: The requirements of this legislation to screen children in foster care for federal benefits and conserve those funds in appropriate trusts will have various fiscal implications, including:

- A reduction of \$1,436,184 (\$712,860 GF; \$723,324 NGF) at the Department of Social Services (DSS) associated with a reduction in IV- E benefits;
- An administrative cost of \$92,477 (GF) the first year and \$124,418 each year thereafter for local social services staff to establish irrevocable trusts for children receiving Social Security benefits;
- A one-time cost of \$17,600 (GF) for system modifications at DSS;
- A one-time cost of \$20,000 (GF) for training at DSS;
- A cost to the Children’s Services Act (CSA) program of \$2,209,198 in lost expenditure refunds; and
- A cost to the CSA program of \$1,436,184 (\$947,881 GF; \$488,303 local match) for children no longer receiving IV-E benefits. Local match is not appropriated.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DSS (765)		(\$152,414)	(\$438,073)	(\$438,073)	(\$438,073)	(\$438,073)
CSA (200)		\$3,157,079	\$3,157,079	\$3,157,079	\$3,157,079	\$3,157,079
TOTAL		\$3,004,666	\$2,719,007	\$2,719,007	\$2,719,007	\$2,719,007

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Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DSS (765)		(\$723,693)	(\$723,693)	(\$723,693)	(\$723,693)	(\$723,693)
TOTAL		(\$723,693)	(\$723,693)	(\$723,693)	(\$723,693)	(\$723,693)

Fiscal Analysis: Currently, section 22VAC40-201-50 of the Administrative Code of Virginia requires local departments of social services (LDSS) to establish a foster child's eligibility for federal, state, or other funding sources and make required payments from such sources. Under this mandate, LDSS are only required to seek state funds for a foster child's maintenance and service needs when other funding sources are not available.

Federal rules require that the Supplemental Security Income (SSI) payment received by Title IV-E foster care children be reduced by the amount of Title IV-E funding. This typically reduces the child's SSI to a zero-dollar amount. If local departments are required to conserve the child's social security benefits, it is likely that the local department would have to forgo Title IV-E foster care funds in order for the child to receive the social security benefits. Title IV-E foster children receive a mix of federal and state funds for maintenance and care. Foster children who are not eligible for Title IV-E funding receive only state and local funds for their maintenance and care. State funding for non-IV-E foster children resides with the Office of Children's Services (OCS).

Foster Care Maintenance Payments

Due to the limitations of the current Comprehensive Child Welfare Information System (CCWIS), neither DSS nor OCS can verify how many children are recipients of Social Security benefits outside of the LDSS self-reporting. The following estimates are based on local reporting information.

In FY 2024, the total amount of Title IV-E expenditures was \$35,116,753. There were 2,666 Title IV-E foster children receiving an average IV-E monthly maintenance payment of \$1,098 (annualized at \$13,176). Utilizing the Virginia Child Welfare Outcome Reports (VCWOR), an estimated 109 children (4.1 percent) received Social Security income at an average Social Security payment of \$850 per month in 2024. If Social Security funds must be conserved, the LDSS must forgo the use of Title IV-E funding so as to not reduce Social Security, SSI and other federal benefits. It is estimated IV-E funding would be reduced by \$553 (\$1,098 x 50.39 percent) per month or \$6,636 per child annually. Additionally, it is estimated that the general fund match currently paid by DSS would be reduced by \$545 (\$1098 x 49.61 percent) per month or \$6,540 per child annually as the children's maintenance costs shift to CSA. The total estimated annual reduction in IV-E federal funding is \$723,693, with a corresponding reduction of \$712,491 in general fund match (total \$1,436,184). DSS estimates OCS would need an additional \$3,157,079 in general fund appropriation (\$2,209,198 in lost refunds and \$947,881 for the new population of CSA children) for services that will now be fully funded by general fund and local match. Local match for CSA expenditures is not appropriated in the budget.

Agency	Annual Cost	# Children	Total Cost	GF %	GF	NGF %	NGF
DSS	\$ 13,176	(109)	\$ (1,436,184)	49.6%	\$ (712,491)	50.4%	\$ (723,693)
OCS	\$ 13,176	109	\$ 1,436,184	66.0%	\$ 947,881	34.0%	\$ 488,303

In FY 2024, OCS reported \$2,209,198 in local refunds to the Children's Services Act (CSA) pool from recovered SSI and SSA benefits paid for non IV-E youth in foster care. It is estimated that the termination of the use of federal benefits for maintenance and care for state-funded foster children will reduce expenditure refunds at OCS by \$2.2 million a year. To

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continue foster care payments at the current rate for these children, OCS will need an estimated \$2.2 million in general fund dollars annually.

Administrative Costs

If a child's Social Security funds are allowed to accrue, they will likely exceed the allowable limits for IV-E and Medicaid eligibility very quickly. This would require LDSS to set up and manage trust instruments or protected accounts for children in foster care who receive Social Security benefits. LDSS will need to obtain consultation and recommendations from attorneys who specialize in special needs planning and trust administration to ensure that any accounts created would not jeopardize eligibility for Medicaid or Social Security benefits. It costs an average of \$5,000 to set up an irrevocable trust. It is assumed that annual fees associated with the management of the trust accounts would be netted against interest earned. Based on previous assumptions, there are an estimated 304 children in foster care (7,415 children X 4.1 percent) who receive SSI or other Social Security benefits. Based on available data, it is assumed that 133 of all children in foster care (7,415 X 1.8 percent) get SSI for their own disability and therefore qualify for an Achieving a Better Life Experience (ABLE) Account, leaving 171 children that would require a trust. While it is unknown how many children would require DSS assistance, if it assumed that DSS becomes the payee for half of those children, the first-year cost would be \$430,000 (86 children X \$5,000) and \$150,000 each year thereafter for DSS's percentage of the additional 2,566 children that enter foster care each year.

DSS assumes it will take a Family Services Specialist an additional eight hours annually for each child receiving Social Security Benefits at a total cost of \$109,440 the first year and \$147,240 each year thereafter for the additional workload of coordinating with families and the Social Security Administration. The fund split for local staff is 84.5 percent general fund with a 15.5 percent local match, resulting in a cost of \$92,477 GF and \$16,963 local funds in the first year and \$124,418 GF and \$22,822 local funds each year thereafter.

Finally, DSS expects that additional one-time costs will be incurred to develop two new one-module training courses related to the provisions of this legislation (estimated at \$20,000 GF) and to install CCWIS system upgrades (estimated at \$17,600 GF).

Summary

The following table outlines the estimated costs to both DSS and CSA to comply with the requirements of this legislation.

	Cost Item	FY 2027		FY 2028	
		GF	NGF	GF	NGF
DSS	Foster care payments	\$ (712,491)	\$ (723,693)	\$	\$ (723,693)
	Establishment of trusts	\$ 430,000		\$ 150,000	
	Administrative costs	\$ 92,477		\$ 124,418	
	Training	\$ 20,000			
	System upgrades	\$ 17,600			
CSA	Loss of refunds	\$ 2,209,198		\$ 2,209,198	
	Foster care payments	\$ 947,881.44		\$ 947,881	
Total		\$ 3,004,666	\$ (723,693)	\$ 2,719,007	\$ (723,693)

Other: None.