

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Variable Nonfood Costs (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 292, #9]

CURRENT LAW

The Division of Care and Treatment Facilities (DCTF) operates six different institutions: (a) the three state centers for the developmentally disabled ("Centers"); (b) the two state mental health institutes (MHIs); and (c) the Wisconsin Resource Center (WRC). The Centers are supported by program revenue (PR), which is medical assistance funds transferred from the Division of Health. The WRC is funded by state general purpose revenue (GPR). The two MHIs are funded by a combination of GPR and PR.

Base funding for variable nonfood costs for residents at the Centers and the MHIs is \$8,463,500 (\$1,744,000 GPR and \$6,719,500 PR). Variable nonfood includes items such as drugs, medical supplies and services, laundry cleaning and inmate/resident earnings.

GOVERNOR

Provide \$3,100 GPR and \$431,500 PR in 1997-98 and \$159,000 GPR and \$1,026,200 PR in 1998-99 to fund anticipated increases in the cost of variable nonfood at the MHIs and the Centers.

DISCUSSION POINTS

1. Based on a reestimate of projected variable nonfood costs for the Centers in the 1997-99 biennium, the amount of funding provided in the bill for the Centers should be reduced by \$142,800 PR in 1997-98 and by \$213,900 PR in 1998-99. A reduction in the PR funding for the Centers would allow a corresponding reduction for medical assistance benefits of \$58,700 GPR and \$84,100 FED in 1997-98 and \$88,500 GPR and \$125,400 FED in 1998-99.

2. This reestimate for the variable nonfood costs: (a) deletes increases for persons that were relocated from the Centers under the community integration program in the 1995-97 biennium; and (b) reflects current population projections for the Centers in the 1997-99 biennium.

MODIFICATION TO BILL

Modify the Governor's recommendation by: (a) reducing funding for variable nonfood at the Centers by \$142,800 PR in 1997-98 and by \$213,900 PR in 1998-99; and (b) reducing medical assistance benefits funding by \$58,700 GPR and \$84,100 FED in 1997-98 and \$88,500 GPR and \$125,400 FED in 1998-99.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	-\$147,200	-\$209,500	-\$356,700	-\$713,400

MO# Modification

Prepared by: Richard Megna

BURKE	N	A
DECKER	N	A
GEORGE	N	A
JAUCH	N	A
WINEKE	N	A
SHIBILSKI	N	A
COWLES	N	A
PANZER	N	A
JENSEN	N	A
OURADA	N	A
HARSDORF	N	A
ALBERS	N	A
GARD	N	A
KAUFERT	N	A
LINTON	N	A
COGGS	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Deficits at the State Mental Health Institutes (DHFS -- Care and Treatment Facilities)

[LFB Summary: Page 296, #14]

CURRENT LAW

The two state mental health institutes (MHIs) are supported by a combination of GPR and PR funds. GPR funds are used to support the costs of care for patients committed through the criminal justice system. The costs of care for other patients, including individuals who are committed under civil proceedings and youth transferred from the juvenile correctional schools, are supported by PR derived from daily charges to the responsible parties (counties and third-party payers).

In recent years, the costs of providing care to PR-supported clients has exceeded the program revenues collected through these daily charges. Consequently, the MHIs incurred yearly losses that will result in a projected accrued unsupported cash deficit of \$10.9 million, as of June 30, 1997.

The deficit problem at the MHIs was noted in a March, 1993, financial audit prepared by the Legislative Audit Bureau (LAB). In response to the LAB findings, the Legislature, as part of the 1993-95 biennial budget act, increased medical assistance (MA) rates paid to the MHIs and directed DHFS to eliminate the deficit by July 1, 1995. The statutory date by which the deficit was to be eliminated was subsequently deferred to July 1, 1997, under provisions contained in the 1995-97 biennial budget act, and again to July 1, 1999, under provisions of 1995 Wisconsin Act 216. Until the deficit is eliminated, DHFS is required to submit quarterly reports to the Department of Administration (DOA) on implementation of a plan to eliminate the deficit.

Provisions created in the 1993-95 biennial budget act require DHFS to increase rates charged for services by at least an average of 10% annually, until receipts come into balance with disbursements. The Department increased rates by the following amounts in recent years: 10% in October, 1994, 13% in October, 1995, and 21% in October, 1996.

State law, in general, prohibits an agency from expending moneys from a program revenue appropriation that exceeds program receipts plus the value of outstanding accrued accounts receivable, inventories and work in progress.

GOVERNOR

Modify the Department's statutory responsibilities to eliminate operating deficits at the MHIs by: (a) repealing the requirement that all accumulated deficits at the state MHIs be eliminated by July 1, 1999; (b) repealing the requirement that the Department increase rates at the MHIs by at least 10% each year until the revenues of the MHIs are in balance with expenses; (c) requiring that the MHIs implement a plan that is approved by DOA that assures that projected revenues meet or exceed projected expenditures in each year, and requiring DHFS to submit quarterly reports to DOA on implementing this plan; and (d) permitting the MHIs to have an accumulated deficit up to the total value of not only accrued accounts receivable outstanding, inventories, work in process, but also the value of equipment and buildings at the MHIs.

DISCUSSION POINTS

1. DHFS began accumulating unsupported cash deficits at the MHIs in 1990-91. Table 1 provides information from financial audits prepared by the LAB on the annual losses and cumulative unsupported cash balances for state fiscal years 1990-91 through 1994-95. (The LAB has not yet completed its audits of the MHIs for 1995-96.) The annual losses shown in the table do not include depreciation expenses, which the MHIs do not attempt to recover in their rates. In 1993-94, the MHIs benefitted from a \$2 million transfer from the Centers for the Developmentally Disabled; without this transfer, the MHIs would have had a loss of approximately \$0.65 million in 1993-94, rather than a surplus of \$1.35 million, and the cumulative deficit would have been \$2.0 million greater.

TABLE 1

**State Mental Health Institutes
Annual Gain/Loss Before Depreciation**

<u>Facility</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
Mendota	-\$561,928	-\$1,483,423	-\$1,910,342	\$1,014,268	-\$856,700
Winnebago	<u>-607,494</u>	<u>-1,552,742</u>	<u>-2,165,342</u>	<u>335,779</u>	<u>-579,498</u>
Total	-\$1,169,422	-\$3,036,165	-\$4,075,684	\$1,350,047	-\$1,436,068
Unsupported Cash Balance	-\$356,863	-\$1,700,000	-\$8,064,712	-\$8,075,167	-\$8,137,931

Source: Legislative Audit Bureau

2. It is estimated that in 1995-96, the MHIs incurred an annual loss of approximately \$2.1 million, but for 1996-97, the Department projects that the MHIs will have a surplus of approximately \$0.4 million. However, if there is any decline in the billable populations at the MHIs for the remainder of the year, there could be a small deficit by the end of the year.

3. The accumulated deficit is expected to decrease slightly in 1996-97 as a result of land and building sales related to the MHIs and Northern Wisconsin Center. Under provisions created in 1995 Wisconsin Act 27, agencies can use up to 50% of the net proceeds from sale of surplus property for requests approved by the Joint Committee on Finance under s. 13.10 of the statutes. At its December, 1996, and March, 1997, quarterly meetings, the Committee approved total transfers of \$435,300 for deficit reduction from the proceeds of property sales.

4. One consequence of these deficits is that the DHFS program revenue appropriation must draw on funds from the general fund to support the operating costs of the MHIs, resulting in either a lower general fund cash balance or increasing the need for the general fund to borrow funds for short-term cash management purposes. In either case, this situation results in a loss of interest earnings for the state general fund. The current projected deficit will result in lost interest earnings of approximately \$550,000 annually. Over the period 1991-92 to 1996-97, the loss in interest earnings is estimated to be \$2.1 million. Additional losses in interest earnings will continue until the deficit is eliminated.

6. A second consequence of the deficits at the MHIs is that it establishes a precedent that a state activity that is established as a program revenue operation can fund deficits in its operation from cash transfers from the general fund for an extended period of time. This creates a situation in which the state is financing current operations with borrowing, rather than current program revenues. The longer such a situation continues, the more debt will be accumulated, which will require larger increases in future revenues to retire the accumulated debt.

7. There are several reasons why DHFS has had difficulty reducing the deficit at the MHIs. First, it is difficult to reduce costs at the MHIs, since the MHIs must provide adequate services to meet federal requirements to be eligible for medicare and MA funding. In June, 1995, surveyors cited the Winnebago Mental Health Institute for staffing deficiencies. In response, the Committee, acting under its s. 13.10 authority, provided 31.0 additional positions at Winnebago, beginning August 1, 1995, to ensure that the facility would remain eligible for medicare and MA funds.

8. Second, DHFS has a limited base upon which to raise rates. There are four groups of patients at the MHIs: (a) forensic patients whose costs are supported by GPR; (b) adults between the ages of 21 and 65 who are civil commitments and supported by charges to counties; (c) adults over 65 and children who are civil commitments that are supported by MA and medicare; and (d) youths transferred from the state's juvenile correctional schools who are supported by payments from the Department of Corrections (DOC), which in turn, are supported by charges to counties. The MHIs have direct control over the rates charged for county-supported adult civil commitments, which represent only 18% of the total patients at the MHIs (approximately 95 patients).

9. In addition, the medical assistance and medicare-supported groups at the MHIs are not currently paying a rate that is sufficient to cover the costs of care for these groups. It is estimated that the difference between costs of care and reimbursement for these groups is approximately \$2.0 million. As a result, the MA- and medicare-supported groups at the MHIs create a significant and recurring shortfall for the MHIs.

10. DHFS has been pursuing changes in the medicare and MA reimbursement rates. There is a possibility that DHFS may be able to claim a higher medicare rate for services that were provided in 1994-95 and later. DHFS filed a request with the U.S. Department of Health and Human Services, Health Care Financing Administration for a higher medicare rate in December, 1995. To date, HCFA has recognized receipt of the claim and has asked for supporting documentation which is due by May, 1997. DHFS appears likely to contract with a consulting firm, Maximus, to document this claim.

If Maximus is successful in pursuing the state's claim, the state would pay Maximus 10% of the amount of the claim. Based on data for 1993, DHFS estimates that an additional \$1.4 million could be recovered from medicare. Medicare payments are 100% federally funded.

11. DHFS has also been pursuing the possibility of obtaining a higher reimbursement rate under MA. The medicare intermediary has agreed to allocate costs for MA by type of client, which is expected to result in a higher allowable MA rate. In addition, DHFS has filed the required notice to adopt a state plan amendment to adopt this higher rate, so that DHFS could implement this higher rate beginning for the last quarter of 1996-97, if DHFS files the state plan amendment by June 30, 1997.

12. Increasing MA rates paid to the MHIs would require that additional GPR funds be budgeted for MA benefits. However, MA benefits are paid on a 41% GPR/59% FED matching basis. Consequently, increasing MA payments to the MHIs would enable the state to capture additional MA federal funds to support these unreimbursed costs. There is sufficient funding in the 1996-97 MA benefits appropriation to support a rate increase for the MHIs. However, the Governor's 1997-99 budget does not include funding to increase MA rates paid to the MHIs.

13. In his letter to the Co-Chairs dated April 21, 1997, DHFS Secretary Leean requested that MA benefits funding be increased by \$848,000 GPR and \$1,214,200 FED in 1997-98 and \$879,000 GPR and \$1,245,000 FED in 1998-99 to support higher MA rates at the MHIs.

14. Although a higher MA rate for the MHIs would require increased GPR expenditures in 1997-99, the higher rate would not affect expenditures by the MHIs. The higher MA rate would only increase revenues received by the MHIs, which would serve to reduce the deficit. Budgeting additional GPR to support a higher MA rate for the MHIs would enable the state to reduce its current debt at a cost of only \$0.41 per dollar of reduced debt. Since a state MA plan amendment cannot be implemented retroactively by more than three months, federal funds would be permanently lost if a higher MA rate is not implemented by June 30, 1997.

15. The increase in revenues to the MHIs would increase GPR revenues in two ways. First, approximately \$733,200 annually of the additional MA payment of \$2.0 million would be deposited to the general fund, since it would represent reimbursement of depreciation and central administration overhead, which are 100% funded by GPR. Second, the increase in revenues to the MHIs would result in higher state cash balances which would generate additional interest earnings of \$48,400 in 1997-98 and \$149,900 in 1998-99. In total, it is estimated that increasing MA rates to the MHIs by \$2.0 million annually would increase general fund revenues by \$781,600 in 1997-98 and \$883,100 in 1998-99.

16. A second option to generate additional non-GPR revenue for the MHIs would be to assess counties for a greater share of the actual costs of providing care for youths transferred to the Mendota Juvenile Treatment Center (MJTC) from other juvenile correctional institutions (JCI). Currently, DOC pays DHFS a fixed amount of money that allows DOC to transfer up to 43 juveniles to the MJTC. DOC, in turn, charges the counties for the cost of care at the MJTC through the daily rate charged to counties for youth sent to the JCI. In the Governor's budget recommendation, the amounts that would be transferred from DOC to DHFS for these youths would be \$3,125,100 in 1997-1998 and \$3,236,200 in 1998-99. These amounts cover only the costs of staff that work in the MJTC unit that provide direct care to these youths. The amount does not include indirect costs such as food, heat, and building maintenance.

In order to support the indirect care costs for the MJTC, the budget provides an additional \$2.2 million GPR annually. This amount reflects an assumption that the MJTC youth are GPR-supported patients for purposes of determining the appropriate mix of GPR and PR support for

Mendota. Typically, in each biennial budget, the proportion of indirect costs that is funded by GPR is based on the current proportion of GPR-supported patients to total patients.

17. The GPR support of the indirect costs for the MJTC could be reduced if DOC, and in turn, counties were assessed for all or part of the indirect costs of the MJTC. Different methodologies can be used to allocate the indirect costs. The standard split calculation that has been used to allocate indirect costs between GPR and PR funding would allocate \$2.2 million of the indirect costs to the MJTC annually. However, the cost allocation methodology used to determine the allocation of indirect costs for MA reimbursement would allocate \$1,276,800 of indirect costs to the MJTC. The MA allocation would assign the following indirect costs to the MJTC: (a) night shift, \$89,100; (b) administration, \$823,700; (c) maintenance, \$67,900; (d) power plant operations, \$70,600; (e) laundry, \$8,300; (f) housekeeping, \$38,600; (g) dietary, \$110,600; (h) pharmacy, \$23,800; (i) depreciation, \$28,900; and (j) medical records, \$15,300. If \$1,276,800 is added to the MJTC charges to DOC, the daily rates under the bill for JCI's would increase by about \$3 in each year of the biennium above the increases specified in SB 77. Under SB 77, rates at the JCI's would increase from the current rate of \$133.82 to \$137.52 on July 1, 1997, to \$147.40 on January 1, 1998, and \$151.32 on January 1, 1999.

18. Youth aids are provided to counties to fund the daily charges paid by counties to DOC for youths placed at the JCI's. If youth aids are not increased, the indirect costs would be passed on to counties. If the Committee determines that it is DOC's responsibility to fund the indirect costs of juveniles at MJTC and that youth aids should be increased to reflect the higher rates, then assessing DOC, and in turn, counties, for the indirect care costs at the MJTC would not result in any net GPR savings. If youth aids are not increased, the indirect costs would be passed on to counties. In addition, assessing DOC for more of the costs of the MJTC may create a financial disincentive for DOC to utilize the MJTC and reduce the number of youths sent to the MJTC. Since the MJTC is operated as a correctional facility, Mendota could not use the MJTC for its other patients.

19. The Governor's bill would repeal the requirement that the deficit be eliminated by July 1, 1999. Since the MHIs will not be able to meet this requirement, it should be repealed. However, the Committee may wish to maintain some provisions that would require DHFS to continue to reduce the deficit, especially if the MHIs are provided additional revenues to address the problem. If a higher MA rate is provided to the MHIs, the MHIs should be able to make progress in reducing the deficit.

20. For example, the Committee could require the MHIs to reduce their accumulated deficit by at least \$500,000 per year. If the MHIs are provided a higher MA rate, the forensic patients and MA-eligible patients would have their costs fully reimbursed. Then, if the county-supported adults are charged an additional amount over their cost, a surplus would be generated. For example, if a daily rate was set at 105% of the projected actual cost, a surplus of approximately \$0.6 million annually would be generated.

21. The Governor also recommends repealing the requirement that the MHIs raise their rates by 10% each year until the deficit is eliminated. Increasing the rates charged to counties may be counterproductive if counties, in reaction to the higher rates, reduce the number of individuals placed at the MHIs. Also, this provision would require counties to pay a significant increase each year, regardless of whether actual costs of providing care increased at that rate.

22. Table 2 lists the daily rate at a number of psychiatric hospitals in the state. As Table 2 shows, the rates assessed by the MHIs are similar to rates assessed by other inpatient mental health facilities, but additional rate increases may make the MHI rates uncompetitive. However, although the MHIs raised their rates by 21% in October, 1996, the populations at the MHIs have increased slightly this year. For some patients, placement at other psychiatric hospitals in the state is not a viable alternative to placement at the state MHIs, since the state MHIs tend to receive the most difficult cases and function as the provider of last resort.

TABLE 2

**Daily Rates at the State Mental Health Institutes
and Other Psychiatric Hospitals**

	<u>1995 Rate</u>	<u>1996 Rate</u>	<u>Percent Change</u>
State Hospitals			
Mendota Mental Health Inst.	\$485	\$552	12.0%
Winnebago Mental Health Inst.	386	490	26.9
Non-State Hospitals			
Fond du Lac County Health Care Center - Fond du Lac	425	450	5.9
Brown County Mental Health Center - Green Bay	435	457	5.0
Rock County Psychiatric Hospital - Janesville	525	550	4.8
Waukesha County Mental Health Center - Waukesha	466	489	4.9
North Central HCF - Wausau	583	592	1.5
Milwaukee County Mental Health	509	524	3.0

23. One alternative to requiring annual rate increases of 10% is to instead require that the MHIs establish their rates at a level that is at least 5% above the projected actual cost of care until the deficit is eliminated. A 5% surcharge would generate approximately \$0.6 million in additional revenues, assuming that there are no unexpected cost increases or population declines. A 5% premium could be maintained from year to year by increasing the daily rates at the rate

of inflation for costs at the MHIs. However, the creation of a surcharge could be viewed as unfair, since counties that purchase services provided by the MHIs in the future would, in effect, be required to pay a portion of costs already incurred for other patients.

24. Currently, adult psychiatric services are bill at \$551 per day at Mendota and \$490 per day at Winnebago. The estimated actual costs are \$590 per day at Mendota and \$493 per day at Winnebago. A 5% premium over actual costs would result in rates of \$620 per day at Mendota and \$518 per day at Winnebago in 1997.

25. Under current law and the Governor's recommendation, the MHIs are required to submit quarterly reports to DOA on implementing a plan to eliminate the deficit (under current law) or to balance yearly expenditures and revenues (under the bill). Continuation of these quarterly reports would assist in monitoring the situation. In order to strengthen oversight, DHFS could be required to submit an annual report to the Joint Committee on Finance that describes DHFS efforts to reduce the accumulated deficit.

26. The Governor's final recommendation is to allow the MHIs to accumulate a deficit equal to the value of the MHI's outstanding accrued accounts receivable, inventories and the value of their equipment and buildings. This special provision has been established for Corrections Industries. The LAB's most recent audit indicated that as of June 30, 1994, the value of accounts receivable, inventories, equipment and buildings at both MHIs was \$53.8 million. Thus, this provision would permit an accumulated deficit that is almost five-times the size of the current accumulated deficit, and 175% of the total 1996-97 projected revenues for the MHIs. Interest costs on \$53.8 million would be approximately \$2.8 million annually.

27. Current law requires that the accumulated deficit be less than the value of outstanding accounts receivables and inventories. Based on the June 30, 1994, balance sheets, the total value of outstanding accounts receivables and inventories totaled \$11.8 million. If the MHIs are provided an increased MA rate, the MHIs should be able to generate a surplus, and therefore, maintain their accumulated deficit below this limit.

ALTERNATIVES TO BILL

A. Statutory Changes to Address the Deficit

1. Adopt the Governor's recommendations.
2. Modify the Governor's recommendations by selecting any or all of the following:
 - a. Require the MHIs to reduce the accumulated deficit by at least \$500,000 per year.

b. Require the MHIs to charge rates that are at least 5% above actual costs until the accumulated deficit is eliminated.

c. Require DHFS to submit an annual report to the Joint Committee on Finance by December 31 of each year that: (a) identifies the actual or estimated change in the amount of the unsupported cash deficit during the previous state fiscal year; (b) provides information on actions taken by DHFS to reduce the deficit during the previous state fiscal year; and (c) identifies what actions DHFS will take in the current fiscal year to reduce the cumulative unsupported cash deficit at the MHIs.

d. Delete the provision in the bill that would permit the MHIs to have an accumulated deficit that includes the value of equipment and buildings.

B. Increase MA Rates at the MHIs

1. Increase MA benefits funding by \$848,000 GPR and \$1,214,200 FED in 1997-98 and \$879,000 GPR and \$1,245,000 FED in 1998-99 to support MA rates at the MHIs that would be based on actual projected costs. In addition, increase estimated GPR revenues by \$781,600 in 1997-98 and \$883,100 in 1998-99.

<u>Alternative B1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 REVENUE (Change to Bill)	\$1,664,700		\$1,664,700
1997-99 FUNDING (Change to Bill)	\$1,727,000	\$2,459,200	\$4,186,200

2. Maintain current law.

C. Support of Indirect Care Costs at MJTC

1. Provide \$1,276,800 PR in 1997-98 and 1998-99 to reflect increased funding DHFS would receive from DOC to care for juveniles placed at the MJTC to support indirect care costs. Require DOC to transfer these additional amounts to DHFS and authorize DOC to bill counties for these indirect care costs, as well as for the direct care costs. In addition, delete GPR funding for the MHIs by the same amounts to reflect that PR funding would be available to support these costs. Further, increase funding for youth aids by \$1,276,800 GPR annually to fund the increased costs counties would incur for placement of juveniles at the MJTC.

Alternative C1	PR
1997-99 FUNDING (Change to Bill)	\$2,553,600

2. Provide \$1,276,800 PR in 1997-98 and 1998-99 to reflect increased funding DHFS would receive from DOC to care for juveniles placed at the MJTC to support indirect care costs. Require DOC to transfer these additional amounts to DHFS and authorize DOC to bill counties for these indirect care costs, as well as for the direct care costs. In addition, delete GPR funding for the MHIs by the same amounts to reflect that PR funding would be available to support these costs.

Alternative C2	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	-\$2,553,600	\$2,553,600	\$0

3. Maintain current law.

Prepared by: Richard Megna

MO# <u>A 2, c, d</u>	MO#	MO#
<u>B 1</u>		
<u>C 3</u>		
2 BURKE	BURKE	BURKE
DECKER	DECKER	DECKER
GEORGE	GEORGE	GEORGE
JAUCH	JAUCH	JAUCH
WINEKE	WINEKE	WINEKE
SHIBILSKI	SHIBILSKI	SHIBILSKI
COWLES	COWLES	COWLES
PANZER	PANZER	PANZER
1 JENSEN	JENSEN	JENSEN
OURADA	OURADA	OURADA
HARSDORF	HARSDORF	HARSDORF
ALBERS	ALBERS	ALBERS
GARD	GARD	GARD
KAUFERT	KAUFERT	KAUFERT
LINTON	LINTON	LINTON
COGGS	COGGS	COGGS
AYE <u>16</u> NO <u>0</u> ABS <u>0</u>	AYE _____ NO _____ ABS _____	AYE _____ NO _____ ABS _____

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Funding for Services Director at the Mendota Mental Health Institute (DHFS -- Care and Treatment Facilities)

CURRENT LAW

As a mean of reducing the accumulated deficits at the mental health institutes (MHIs), the Department of Health and Family Services (DHFS) has tried to consolidate several services at these facilities. DHFS recently eliminated the management services director at Central Wisconsin Center and has assigned the management services director at the Mendota Mental Health Institute the activities previously performed by the former position.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Since the management services director at Mendota is currently providing services to Central Center, DHFS requests that half of the Mendota position (\$37,800 in 1997-98 and \$38,500 in 1998-99) be funded from Central Wisconsin Center's budget. This would reduce costs at Mendota and, consequently, help reduce the deficit at the MHIs.
2. Funding half of the management services director's position from Central Center's budget would provide the state an opportunity to fund more of the costs of the position with

federal funds. Central Center's costs are supported by medical assistance (MA), which is supported on a 41% GPR/59% FED basis.

3. Any increase in the PR appropriation at Central Wisconsin Center would require a corresponding increase in the MA benefits appropriation. Mendota is supported by both GPR and PR funding. In order to avoid any GPR cost of transferring half of the costs of this position to Central Center, GPR funding at Mendota could be reduced by an amount equal to the GPR share of the additional MA cost.

MODIFICATION TO BILL

1. Provide \$37,800 PR in 1997-98 and \$38,500 PR in 1998-99 to Central Center to fund half of the management services direction position at the Mendota Mental Health Institute. Increase MA benefits by \$15,500 GPR and \$22,300 FED in 1997-98 and by \$15,900 GPR and \$22,600 FED in 1998-99, and reduce the budget for the Mendota Mental Health Institute by \$15,500 GPR and \$22,300 PR in 1997-98 and \$15,900 GPR and \$22,600 PR in 1998-99 to fund half of the management services director from Central Center's budget.

<u>Modification</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$44,900	\$31,400	\$76,300

Prepared by: Richard Megna

MO# *modification*

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
1 JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

HEALTH AND FAMILY SERVICES

Care and Treatment Facilities

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
3	Mendota Juvenile Treatment Center Funding
6	State Centers -- Community Programming
7	Electronic Medical Services Project
9	Wheelchairs
10	Outpatient Program at Winnebago Mental Health Institute
11	Prevocational programs at Mendota Mental Health Institute
12	Program of Assertive Community Treatment

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
13	Right to Refuse Treatment
15	Access to Treatment and Health Records by Protection and Advocacy Agencies
16	Confidentiality of Victim's Mailing Address for Child Support Enforcement

Health and Family Services

Children and Family Services and Supportive Living

(LFB Budget Summary Document: Page 298)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
9	Kinship Care Funding (Paper #462)
9	Kinship Care Statutory Provisions (Paper #463)
32	Domestic Violence Programs (Paper #477)
7,8	Milwaukee Child Welfare Services -- Funding Reestimate (Paper #478)
7,8	Milwaukee Child Welfare -- MA Eligibility for Parents of Children in Child Protective System (Paper #479)
7,8	Milwaukee Child Welfare -- Additional Funding Requests (Paper #480)
7,8	Milwaukee Child Welfare -- County Contribution (Paper #481)
7,8	Milwaukee Child Welfare -- Case Management (Paper #482)
7,8	Milwaukee Child Welfare -- Quality Assurance (Paper #483)
7,8	Milwaukee Child Welfare -- Site Selection Process (Paper #484)

Agency: DHFS-Child & Family Services

Staff Recommendations:

Paper No. 462: Part A -- Approve Funding Modification

Comments: This just reflects reestimates.

Part B -- Alternative 1

Comments: Alt 1 says state must fully fund this program (see paragraph 6). Definitely don't vote for alt 2.

Paper No. 463: Part A -- Alternative 2

Comments: Makes appeals process consistent with existing MA and AFDC processes (see paragraph 8). It's also consistent with an earlier JFC action.

Part B -- Alternative 1

Comments: No brainer (see paragraphs 10 & 11)

(note jump in FB Paper numbers, from #463 to #477)

Paper No. 477: Part A -- Alternative 3(b)(c)(d)

Comments: This would create domestic violence programs in every county of the state. Alt 3 would also be ok on its own, but might as well go for the extra money in (b)(c)(d). (see paragraphs 5 and 6)

Part B -- Alternative 1

Comments: Kaufert may have porn tax video motion.

Paper No. 478: Approve Modification to Bill

Paper No. 479: Alternative 1

Comments: Kathy says Milw Cnty has no position here (but we question this). You are basically bailing out DHFS here, but it's a worthwhile venture. Either alt 1 or alt 2 is ok with us (see paragraphs 2, 15, 16 & 17). The gov dropped the ball here - maybe to make his budget "balance".

Paper No. 480: Part A -- Alternative 1

Comments: Alt 1 give Milw County child care for working foster parents at the highest level (see paragraphs 1 and 2). But alt 2 would also be ok (see paragraph 2).

Part B -- Alternative 1

Comments: (see paragraph 3)

Part C -- Alternative 1

Comments: Milw Cnty really wants alt 1 (see paragraph 6). Jensen will probably want alt 2 here (this is ok as a compromise).

Part D -- Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraph 7). But alt 2 would also be ok (see paragraph 9).

Part E -- Alternative 2

Comments: Milw Cnty wants alt 2 (see paragraph 10).

Paper No. 481: Part A -- Burke Motion

Comments: **Burke motion** will modify alt 1 (eliminates second half of paragraph), and will specify that DOA will negotiate with Milw Cnty to determine where funds to pay state for taking over Milwaukee's Child Welfare Services will come from (i.e. Milw Cnty doesn't want to take the hit on shared revenue, they want it to come from community aids). Ask FB to explain.

Part B -- Alternative 1

Comments: Milw Cnty really wants alt 1 (see paragraph 11).

Paper No. 482: Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraph 10). However, we think alt 3 would also be fine (see paragraph 5 and 7).

Paper No. 483: Part A -- Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraphs 3 & 4). We also think alt 2 would be ok (see paragraphs 5, 6 and 7).

Part B -- Alternative 1, 2 & 3

Comments: Milw Cnty wants alt 1 and 2 here, but we think alt 3 helps them even more (see paragraphs 10 and 11).

Paper No. 484: Alternative 1

Comments: Alt 1 makes them come back under 16.515. Milw Cnty has no position. (see paragraphs 3 and 4)

Agency: DHFS-Child & Family Services

Staff Recommendations:

Paper No. 462: Part A -- Approve Funding Modification

Comments: This just reflects reestimates.

Part B -- Alternative 1

Comments: Alt 1 says state must fully fund this program (see paragraph 6). Definitely don't vote for alt 2.

Paper No. 463: Part A -- Alternative 2

Comments: Makes appeals process consistent with existing MA and AFDC processes (see paragraph 8). It's also consistent with an earlier JFC action.

Part B -- Alternative 1

Comments: No brainer (see paragraphs 10 & 11)

(note jump in FB Paper numbers, from #463 to #477)

Paper No. 477: Part A -- Alternative 3(b)(c)(d)

Comments: This would create domestic violence programs in every county of the state. Alt 3 would also be ok on its own, but might as well go for the extra money in (b)(c)(d). (see paragraphs 5 and 6)

Part B -- Alternative 1

Comments: Kaufert may have porn tax video motion.

Paper No. 478: Approve Modification to Bill

Paper No. 479: Alternative 1

Comments: Kathy says Milw Cnty has no position here (but we question this). You are basically bailing out DHFS here, but it's a worthwhile venture. Either alt 1 or alt 2 is ok with us (see paragraphs 2, 15, 16 & 17). The gov dropped the ball here - maybe to make his budget "balance".

Paper No. 480: Part A -- Alternative 1

Comments: Alt 1 give Milw County child care for working foster parents at the highest level (see paragraphs 1 and 2). But alt 2 would also be ok (see paragraph 2).

Part B -- Alternative 1

Comments: (see paragraph 3)

Part C -- Alternative 1

Comments: Milw Cnty really wants alt 1 (see paragraph 6). Jensen will probably want alt 2 here (this is ok as a compromise).

Part D -- Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraph 7). But alt 2 would also be ok (see paragraph 9).

Part E -- Alternative 2

Comments: Milw Cnty wants alt 2 (see paragraph 10).

Paper No. 481: Part A -- Burke Motion

Comments: **Burke motion** will modify alt 1 (eliminates second half of paragraph), and will specify that DOA will negotiate with Milw Cnty to determine where funds to pay state for taking over Milwaukee's Child Welfare Services will come from (i.e. Milw Cnty doesn't want to take the hit on shared revenue, they want it to come from community aids). Ask FB to explain.

Part B -- Alternative 1

Comments: Milw Cnty really wants alt 1 (see paragraph 11).

Paper No. 482: Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraph 10). However, we think alt 3 would also be fine (see paragraph 5 and 7).

Paper No. 483: Part A -- Alternative 1

Comments: Milw Cnty wants alt 1 (see paragraphs 3 & 4). We also think alt 2 would be ok (see paragraphs 5, 6 and 7).

Part B -- Alternative 1, ~~2 & 3~~

Comments: Milw Cnty wants alt 1 and 2 here, but we think alt 3 helps them even more (see paragraphs 10 and 11).

Paper No. 484: Alternative 1

Comments: Alt 1 makes them come back under 16.515. Milw Cnty has no position. (see paragraphs 3 and 4)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Kinship Care Funding (DHFS -- Children and Family Services and Supportive Living)

[LFB Summary: Page 312, #9]

CURRENT LAW

Kinship care was created in 1995 Wisconsin Act 289 to replace aid to families with dependent children (AFDC) benefits for children who are under the care and supervision of a non-legally responsible relative (NLRR). Relatives are required to apply to counties for assessment to determine if they are eligible to receive kinship care payments.

Under the AFDC program, individuals caring for the child of a relative could receive AFDC benefits based on the income and assets of the child. As of February, 1997, there were 8,677 children receiving AFDC benefits while in the care of a relative. These benefits are discontinued effective July 1, 1997 with the enactment of kinship care.

GOVERNOR

Provide \$22,840,700 (\$3,004,800 GPR, \$4,115,500 FED and \$15,720,400 PR) in 1997-98 and \$29,156,300 (\$2,970,800 GPR, \$4,069,100 FED and \$22,116,400 PR) in 1998-99 for DHFS to make kinship care payments, including:

- \$7,120,300 (\$3,004,800 GPR and \$4,115,500 FED) in 1997-98 and \$7,039,900 (\$2,970,800 GPR and \$4,069,100 FED) in 1998-99 to reimburse counties for payments: (a) made to relatives who become licensed foster parents; (b) for children that are removed to non-relative foster care; and (c) teenage parents living in foster care; and

• \$15,720,400 PR in 1997-98 and \$22,116,400 PR in 1998-99 from TANF block grant funds transferred from DWD to fund kinship care payments to relatives that are not licensed foster parents and who care for children in need of protection or services or children at risk of being in need of protection or services.

DISCUSSION POINTS

1. SB 77 would extend the date on which all NLRR payments are discontinued from July 1, 1997, to December 31, 1997, to provide more time for counties to convert NLRR cases to kinship care.

2. On April 24, 1997, DOA Secretary Bugher sent a letter to the Co-Chairs of the Committee requesting that funding for kinship care payments be modified by: (a) reducing funding for foster care payments by \$221,800 GPR and \$497,900 FED in 1997-98 and \$25,300 GPR and \$112,300 FED in 1998-99; and (b) increasing funding for kinship care payments and assessments by \$2,485,300 PR in 1997-98 and reducing funding for these purposes by \$2,065,300 PR in 1998-99 based on new information relating to the implementation of the Wisconsin Works program.

The administration's reestimates are based on:

- Fewer children currently in families receiving NLRR payments, from 9,500 as originally projected under SB 77, to 8,750;
- Fewer assessments, since the estimated number of assessments should be based on the number of families receiving assessments, rather than the number of children for whom assessments would be conducted, as assumed in SB 77; and
- Revised estimates of when counties would convert the existing caseload of children from AFDC to kinship care.

3. However, this reestimate does not reflect the potential use of kinship care by counties for children in the child welfare system that have been removed from their home because their parents are either unable or unavailable to care for them. Under current state law, if a child is removed from his or her home, either under a court order or a voluntary agreement, counties are required to review the potential of placing a child with a relative and to justify why a placement with a relative is not appropriate. As a result, when a relative is available and appropriate, it is reasonable to expect that counties will use kinship care to place children in the child welfare system with relatives.

The funding that would be provided in SB 77 and under the administration's reestimates is based on a survey conducted of a number of counties in 1995. Based on the counties'

responses, the administration applied the responses to the survey to estimate the share of the current population of children eligible for NLRR payments under AFDC. However, this methodology does not reflect the potential increased use of kinship care by counties.

4. Beginning January 1, 1998, DHFS will assume responsibility of administering child welfare services in Milwaukee County. DHFS expects to place 35% of children new to the Milwaukee child welfare system in out-of-home care with relatives and provide kinship care payments to those relatives. Currently, approximately 26% of the children in the Milwaukee County child welfare system are placed with relatives who receive NLRR payments. Funding provided in SB 77 and under the administration's reestimates do not reflect this projected increase in the use of kinship care.

In addition to this adjustment, funding provided for kinship care should be modified to reflect:

- Reduced costs for initial assessments of cases involved in the child welfare system. Counties should not incur costs for assessing kinship care placements for these children, since these assessments would already occur when the child enters the child welfare system; and

- Reduced costs for reassessments required under kinship care, since it is reasonable to assume that the time required to reassess a case should not require the same amount of time to initially assess the case.

5. The following table summarizes current reestimates of the costs of kinship care and the funding provided under SB 77.

<u>1997-98</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
SB 77 Funding	\$3,004,800	\$4,115,500	\$15,720,400	\$22,840,700
Reestimate				
Benefits	\$4,678,800	\$1,932,600	\$13,985,300	420,596,700
Assessments	<u>187,000</u>	<u>187,000</u>	<u>1,735,100</u>	<u>2,109,100</u>
Total Funding Required	\$4,865,800	\$2,119,600	\$15,720,400	\$22,705,800
Change to Bill	\$1,861,000	-\$1,995,900	\$0	-\$134,900
<u>1998-99</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
SB 77 Funding	\$2,970,800	\$4,069,100	\$22,116,400	\$29,156,300
Reestimate				
Benefits	\$1,662,000	\$2,087,200	\$20,652,400	\$24,401,600
Assessments	<u>112,800</u>	<u>112,800</u>	<u>1,464,000</u>	<u>1,689,600</u>
Total Funding Required	\$1,774,800	\$2,200,000	\$22,116,400	\$26,091,200
Change to Bill	-\$1,196,000	-\$1,869,100	\$0	-\$3,065,100

6. Under current law, DHFS is required to make kinship care payments to individuals who have been determined, through an assessment, to be eligible for such payments. As a matter of practice, DHFS delegates the authority to make these payments to counties.

DHFS staff contend that, because the current statutes make a reference to the appropriation used to support these payments, it is not clear whether counties are required to make these payments, or whether payments are subject to the amounts budgeted for these payments. By extending this argument, DHFS staff indicate that it may be permissible for counties to establish waiting lists for these payments if state funding is insufficient to meet the costs of making these payments.

7. In order to address this issue, the Committee could clarify the current statutory provision by either: (a) deleting references to the statutory appropriation; or (b) explicitly stating that funding for kinship care payments to families is limited to the amount appropriated for this purpose.

ALTERNATIVES TO BILL

A. Funding

Modify total funding for kinship care and related foster care payments and assessments by -\$134,900 (\$1,861,000 GPR and -\$1,995,900 FED) in 1997-98 and -\$3,065,100 (-\$1,196,000 GPR and -\$1,869,100 FED) in 1998-99 to reflect the following reestimates: (a) increased kinship care payments and assessments (\$3,329,200 GPR in 1997-98 and \$188,800 GPR in 1998-99); and (b) reduced foster care costs related to kinship care (-\$1,468,200 GPR and -\$1,995,900 FED in 1997-98 and -\$1,384,800 GPR and -\$1,869,100 FED in 1998-99). In addition: (a) specify that GPR funds budgeted under this item can be used to support the cost of kinship care payments; and (b) create separate appropriations to fund assessments.

<u>Modification</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	\$665,000	-\$3,865,000	-\$3,200,000

B. Entitlement to Payments

1. Modify current program statutes to delete references to the appropriation from which these payments are made.

2. Modify current program statutes to specify that funding for kinship care payments to families is limited to the amount appropriated for this purpose.

Prepared by: Rachel Cissne

MO# Part A
modification

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

MO# B-2

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
1 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS 0

MO# B-1

1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
2 COGGS	Y	N	A

AYE 8 NO 8 ABS 0

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Kinship Care Statutory Provisions (DHFS -- Children and Family Services and Supportive Living)

[LFB Summary: Page 312, #9]

CURRENT LAW

Kinship care was created in 1995 Wisconsin Act 289 to replace aid to families with dependent children (AFDC) benefits for children who are under the care and supervision of a non-legally responsible relative (NLRR). Relatives are required to apply to counties for assessment to determine if they are eligible to receive kinship care payments.

Kinship Care Assessment. To determine if a relative is eligible for a kinship care payment, counties must conduct an assessment of the case. The assessment must determine whether: (a) the placement of the child with the relative is in the best interest of the child; (b) the child is in need of protection or services or at risk of being in need of protection or services; and (c) the relative, his or her employees and prospective employees who have or would have regular contact with the child and any other adult resident of the kinship care relative's home has any arrests or convictions that could adversely affect the child or the kinship care relative's ability to care for the child.

Counties are required to reassess the placement of a child with a relative for which a kinship care payment is made every 12 months to determine whether the conditions which demonstrated the need for the placement continue to exist. If the conditions which led to the placement do not exist, the kinship care payment is discontinued.

Requirements for Counties to Assess Current NLRR Recipients. Act 289 requires counties, when conducting regularly scheduled reinvestigations of NLRR recipients as required under the

AFDC program, to assess whether the relative is eligible for kinship care and conduct the required criminal background investigation. Immediately after conducting the assessment and the required criminal background investigation, each county must terminate NLRR payments for that relative. If the relative is eligible for kinship care payments, the county must provide a kinship care payment of \$215 or, if eligible, a foster care payment based on the applicable uniform foster care rate. Each county must conduct the assessment, conduct the criminal background investigation and terminate AFDC NLRR payments by July 1, 1997.

Administration of Kinship Care. Currently, DWD is responsible for providing funding to counties to support the costs of the kinship care program. Under provisions of Act 289, effective, July 1, 1997, DHFS will assume this responsibility.

Federal AFDC Waiver. DWD is required to request a waiver from the U.S. Department of Health and Human Services to enable the state to provide kinship care payments in lieu of AFDC payments. If the state does not receive the waiver, DWD is prohibited from providing kinship care payments to current NLRR recipients. Enactment of the recent federal welfare legislation (P.L. 104-193) eliminated the federal AFDC program, and replaced it with the temporary assistance for needy families (TANF) program, which provides block grants to states for economic assistance programs.

GOVERNOR

Assessment of Current NLRR Recipients. Extend the date by which counties must complete all assessments and background investigations to determine whether an NLRR recipient is eligible for kinship care payments from July 1, 1997 to December 31, 1997.

Administration of Kinship Care. Specify that DHFS, rather than DWD, must begin making kinship care payments, or foster care payments to eligible relatives, immediately after counties conduct the assessment and background investigation required for current NLRR recipients, rather than after July 1, 1997, as provided under current law.

Supplemental Security Income Recipients. Prohibit DHFS from making kinship care payments to a relative on behalf of a child, if the child is receiving state payments under the supplemental security income (SSI) program.

Clarify Requirements of Criminal Background Investigations. Require DHFS or a county conducting background investigations of a kinship care relative to determine whether the relative, employe, prospective employe or adult resident has any arrests or convictions that could adversely affect the child or the relative's ability to care for the child.

Federal Waiver. Delete the requirement that DWD request and receive a waiver from federal AFDC regulations to permit DHFS to terminate AFDC NLRR payments to relatives by

July 1, 1997. Instead, prohibit a relative who is receiving AFDC payments on behalf of a child on the bill's effective date from receiving AFDC payments after either: (a) December 31, 1997; or (b) the date of the first reinvestigation of the relative under AFDC occurring after the bill's effective date, which ever comes first. If a relative is not receiving NLRR benefits on the bill's effective date, no NLRR payment can be made to the relative on or after the bill's effective date.

DISCUSSION POINTS

1. Under SB 77, the extension of the deadline for elimination of NLRR payments to December 31, 1997, is intended to reflect the required time counties need to assess all cases receiving NLRR payments before those payments are eliminated. Counties will not be able to comply with the July 1, 1997, deadline under current law.

2. SB 77 would transfer authority for administering kinship care from DWD to DHFS on a retroactive basis to reflect the current agreement between DHFS and DWD, under which DHFS is currently providing kinship care allocations to counties, rather than DWD as provided under current law.

3. As a technical correction, SB 77 would clarify that DHFS or a county conducting a background investigation of a kinship care relative determine whether the kinship care relative, employe, prospective employe or adult resident has any arrests or convictions that could adversely affect the child or the relative's ability to care for the child. Under current law, a criminal background investigation is required for these individuals, however, the determination relating to the child's safety or the kinship care relative's ability to care for the child is not required to include the information received on an employe or prospective employe of the kinship care relative.

Kinship Care Appeals Process

4. 1995 Wisconsin Act 289 created a process to review a denial of a kinship care payment based on a background investigation. Under Enrolled Senate Bill 591 (later enacted as Act 289), if kinship care payments were denied based on the conviction record of an individual, that kinship care relative would have been permitted to petition for a review of the denial under rules promulgated by DHFS. As a result of the Governor's partial veto of Enrolled SB 591, the appeal process for kinship care was eliminated. In his veto message, the Governor directed the DHFS Secretary to recommend the best method for individuals to make appeals for the entire kinship care program, not just for an appeal regarding the criminal background investigation, indicating his view that this is a larger issue that is not addressed in the W-2 legislation.

5. On May 12, 1997, DHFS requested a statutory modification to SB 77 which would require DHFS to promulgate rules defining an appeals procedure for the kinship care program.

The appeals process requested by DHFS would apply to relatives whose kinship care application is denied or whose kinship care payments were discontinued as a result of a reassessment. These individuals could appeal the decision to the DOA Division of Hearings and Appeals for review of the denial. The scope of the hearing would be limited to the county's determination that kinship care payments not be provided under criteria relating to: (a) whether the placement of the child with the relative is in the best interest of the child; (b) whether the child is in need of protection or services or would be at risk of becoming in need of protection or services if the child remained in his or her home; or (c) whether the relative cooperates with the county during the application process.

The rules promulgated under this provision would require that counties establish written policies and procedures defining the process to be used in assessing kinship care applications and that the Division of Hearings and Appeals would affirm the county's decision if the decision was substantially justified. Individuals would not be able to appeal the denial of kinship care payments on the ground of information received as a result of the criminal background investigation or the relatives statements to the affects of his or her criminal background, the criminal background of his or her employes, prospective employes, or adults residents in the relative's home.

6. Under current law, kinship care relatives would be able to appeal denial of kinship care payments according to procedures outlining a general right of individuals to appeal decisions made by public agencies. Specifically, individuals filing a written request with an agency for hearing have the right to a hearing which is treated as a contested case if: (a) a substantial interest of a person is injured or threatened with injury; (b) there is no evidence of legislative intent that the interest is not to be protected; (c) the injury to the person requesting a hearing is specific to the individual as opposed to injury to the general public; and (d) there is a dispute of material fact. This general right to contest decisions made by public agencies is valid only if a specific appeals process is not otherwise authorized.

7. The statutory changes requested by DHFS do not address a number of issues, including: (a) the length of time in which an individual may appeal a decision; (b) whether an individual applying for kinship care payments can appeal a lack of action on an application; (c) whether an individual will receive kinship care payments while the appeal is proceeding; (d) how retroactive payments would be addressed if a decision is reversed; (e) whether an individual will be able to present evidence and testimony, be represented by legal counsel and have access to records pertaining to their case as provided under current AFDC provisions; (f) the time period in which the Division of Hearings and Appeals must make a determination on the appeal; and (g) how the costs of the Division of Hearings and Appeals would be supported.

8. The Committee could establish an appeals process for denial of kinship care payments based on determinations other than the criminal background investigation, consistent with the current appeals process under the AFDC program. On May 21, 1997, the Committee approved the establishment of an appeals process specific for benefits paid under the MA

program as provided in SB 77. This MA appeals process is consistent with the appeals process available under the AFDC program. The use of the same appeal process for kinship care payments would provide consistency among appeals procedures available under entitlement programs.

Authority of DHFS to Administer Kinship Care in Milwaukee County

10. SB 77 would provide DHFS the authority to assess individuals who apply for kinship care payments and to provide payments to individuals that qualify for kinship care payments in counties with a population of 500,000 or more (Milwaukee County) effective January, 1, 1998. Since introduction of SB 77, DHFS has requested the joint authority with Milwaukee County to administer kinship care in Milwaukee County, beginning with the general effective date of SB 77.

11. DHFS requests this authority to assist Milwaukee County in assessing current relatives receiving NLRN payments until December 31, 1997, when DHFS will completely assume this responsibility. It is anticipated that Milwaukee County will assess relatives receiving NLRN payments when the placement of the child in the relative's home is the result of a court order. Approximately 1,350 children in Milwaukee County are under this type of court order. DHFS would assess cases and conduct criminal background investigations where there is no court order requiring the child's placement in the home. DHFS expects to contract for these assessments.

ALTERNATIVES TO BILL

A. Kinship Care Appeals Process

1. Modify the Governor's recommended statutory changes by specifying that a kinship care relative whose application to a county for kinship care payments has been denied, or who has been denied renewal of payments, may appeal to the Division of Hearings and Appeals for review of the denial. The scope of the hearing would be limited to the county's application criteria relating to the determination of the best interests of the child, whether the child is in need of protection or services or at-risk of being in need of protection or services, and whether the applicant cooperated with the county. The Division of Hearings and Appeals would affirm the county's decision if the decision was substantially justified. Direct DHFS to promulgate rules defining the appeals procedure to be used for kinship care. Require counties to establish written policies and procedures defining the process to be used in assessing kinship care applications.

2. Modify the Governor's recommended statutory changes by establishing an appeals process for kinship care payments consistent with the appeals process established for the AFDC

program and the MA program as established by SB 77, but specify that appeals of a determination made based on information regarding the criminal background investigation would not be subject to this appeals process.

3. Adopt the Governor's recommended statutory changes in SB 77, but retain current law relating to kinship care appeals.

B. Authority of DHFS to Administer Kinship Care Payments in Milwaukee County

1. Authorize DHFS to jointly administer the kinship care program in counties with a population of 500,000 or more (Milwaukee County), effective with the bill's general effective date and effective, January 1, 1998, specify that DHFS will be responsible for administering the kinship care program in counties with a population of 500,000 or more.

2. Take no action.

Prepared by: Rachel Cissne

MO# 412-A

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
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ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

MO# B-1

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
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JENSEN	<input checked="" type="radio"/>	N	A
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ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

Milwaukee County Child Welfare Services

Overview of Milwaukee County Child Welfare Services (Paper #465)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Milwaukee County Child Welfare Services (DHFS -- Children and Family Services and Supportive Living)

[LFB Summary: Page 305, #7 and Page 309, #8]

1995 Wisconsin Act 303 directed the Secretary of the Department of Health and Family Services (DHFS) to propose legislation by September 15, 1996, to transfer the duty and authority to provide child welfare services in Milwaukee County from the Milwaukee County Department of Social Services to DHFS no later than January 1, 1998. This proposal was incorporated into the Governor's 1997-99 biennial budget recommendations.

This paper provides background information on this issue and a description of the SB 77 provisions. This office will prepare a number of budget papers on this issue.

BACKGROUND

ACLU Lawsuit and Recent Legislation

ACLU Lawsuit. In 1993, the American Civil Liberties Union (ACLU) Children's Rights Project (now the Children's Rights, Inc.) filed an action on June 1, 1993, in the Federal District Court for the Eastern District of Wisconsin on behalf of a purported class of approximately 5,000 children who are receiving or should be receiving child welfare services in Milwaukee County. The Milwaukee County Executive, the Director of the Milwaukee County Department of Human Services, the Governor and the Secretary of the Department of Health and Social Services (now the Department of Health and Family Services) were named as defendants.

The complaint is a broad-based challenge to the administration of the entire Milwaukee County child welfare system, alleging that the county, among other things, fails to investigate complaints of abuse and neglect, fails to provide services to avoid unnecessary out-of-home placements, fails to provide appropriate out-of-home placements and fails to terminate parental rights and secure permanent placements for children who cannot be returned to their birth families. The complaint alleges that the state fails to adequately supervise and fund the Milwaukee County system.

During the 1995 legislative session, Acts 27 and 303 initiated the state's takeover of responsibility for providing child welfare services in Milwaukee County to remedy the situation.

Act 27. 1995 Wisconsin Act 27 directed the Department to submit a proposal to the Legislature by April 1, 1996, under which it would assume responsibility for operation of the Milwaukee County child welfare system as of January 1, 1998. The parties to the lawsuit then entered into settlement negotiations based on the possibility that the state would be assuming responsibility for child welfare services in Milwaukee County. However, negotiations broke down in February, 1996, and the parties were prepared to go to trial.

Act 303. 1995 Wisconsin Act 303, enacted in May, 1996, provided initial funding, positions, and statutory authority for DHFS to plan for providing child welfare services in five neighborhood districts in Milwaukee County, beginning January 1, 1998. Specifically, Act 303 provided for:

- Creation of the Milwaukee Child Welfare Partnership Council and Advisory Committees;
- Establishment of a medical assistance benefit for care coordination for certain pregnant women and children under age seven in Milwaukee County;
- Proposed legislation, system planning and development activities, and contracting to transfer child welfare services from the county to the state; and
- Funding and positions, in 1996-97, for DHFS to plan for and initiate the transfer of the child welfare system from the county to the state;
- Funding, in 1996-97, to facilitate the termination of parental rights for children in Milwaukee County; and
- Funding for an automated case management information system to assist the Department in managing the child welfare system in Milwaukee County.

Recent Court Action. On January 31, 1997, the plaintiffs filed a motion for a preliminary injunction to direct Milwaukee County to make immediate changes in certain aspects of its child

welfare system to prevent further physical harm to members of the plaintiff class. Specifically, the injunction asked the court to direct Milwaukee County to: (a) provide sufficient staff and telephone lines so that mandated reports of abuse and neglect can quickly report potential abuse 24-hours a day, seven days a week; (b) require the Milwaukee County to ensure proper staffing and training so that reports of abuse are investigated promptly; and (c) require the state to establish an appropriate monitoring and quality assurance system. The Court has not decided on the injunction.

On March 3, 1997, the Court ordered a partial summary judgement in favor of the state defendants dismissing constitutional claims, indicating that by assuming responsibility for the child welfare system in Milwaukee County, (as outlined in Act 303), the state took supervisory action based on an exercise of professional judgement. However, the Court also ordered that the trial will go forward, since the state takeover does not alter statutory obligations for providing services to children in need of protection and services and the state has not yet made a showing whether, under state administration, the statutory obligations would be met. A trial date has not been set.

Child Welfare Services Under Current Law

Children in Need of Protection and Services. A child in need of protection or services (CHIPS) case is adjudicated by the juvenile court in each county under a process outlined in Chapter 48 of the statutes (the Children's Code). A CHIPS case may involve a child without a parent or guardian, a child who has been abandoned, a child who has been the victim of abuse or neglect, or a child who is at substantial risk of becoming the victim of abuse or neglect. Once a juvenile court adjudicates a child as a CHIPS case, the court orders a disposition of the case, which outlines the needs of the child and a plan for ensuring appropriate treatment is received. The dispositional process includes determining whether custody of the child should be transferred to the county and whether the child should be placed in out-of-home care. Dispositional orders are valid for one year, unless extended by the court.

Permanency Plans. When the court dispositional order includes out-of-home placements, the appropriate child welfare agency is responsible for developing a permanency plan based on the court's disposition. This permanency plan must be approved and filed with the court ordering the placement within 60 days of the dispositional order. The permanency plan identifies the goal for a permanent placement for the child and the services provided to the child and his or her family in order to achieve the permanency plan goal. Permanency plan goals can include: (a) reunification with birth family; (b) transfer of legal guardianship to a relative; (c) termination of parental rights in order to legally free the child for adoption; and (d) long-term foster care for children for whom adoption is unlikely.

County Responsibilities. Under current law, counties are responsible for administering child welfare services, including: (a) providing intake and investigation services to determine if a child has been abused or neglected; (b) dispositional services to the juvenile court in each

county, including case management services to children placed in out-of-home care to ensure that the permanency plan is carried out; and (c) services to children whose parental rights are terminated and placed for adoption.

Placement Costs. In addition to providing child welfare services, counties are responsible for the placement costs of children in out-of-home care. In December, 1996, approximately 8,400 children statewide were in foster care. In addition, children are placed with relatives, in group homes or child caring institutions. Since January 1995, the minimum monthly cost for a child in foster care is: (a) \$282 for a child under five years of age; (b) \$307 for children ages five through 11; (c) and \$349 for children ages 12 through 14; and (d) \$365 for children ages 15 and over. In addition, for children with special needs, these rates are supplemented according to a process outlined in administrative rule. For children with exceptional needs, counties can provide up to \$2,000 to foster parents for care and maintenance. Placement in foster care provides categorical eligibility for medical assistance.

Funding to Support County Costs of Providing Child Welfare Services. Federal funds provided under Title IV-E of the federal Social Security Act reimburse states for the costs of providing child welfare services for children from families eligible for the aid to families with dependent children (AFDC) program. Under Title IV-E, states receive 50% reimbursement for administrative costs of providing child welfare services to children from AFDC-eligible homes and approximately 60% of placement costs for those children.

DHFS claims costs for reimbursement under Title IV-E based on information reported by counties. These funds are distributed to counties under community aids. In 1996-97, \$40.2 million FED in Title IV-E funds is budgeted for community aids. To the extent state funding from community aids is not sufficient to fund county costs for social and human services, counties must support these costs from other state aids, federal or nonprofit grants, or the local property tax.

GOVERNOR'S RECOMMENDATIONS

As required by 1995 Wisconsin Act 303, DHFS submitted a plan to the Department of Administration in October, 1996, which was incorporated into SB 77. The following table identifies the total additional funding and positions DHFS would be budgeted to support this initiative in each year of the 1997-99 biennium.

Milwaukee County Child Welfare

Funding and Position Increase Provided in SB 77

	<u>Funding</u>		<u>Positions</u>
	<u>1997-98</u>	<u>1998-99</u>	<u>(Each Year)</u>
GPR	\$9,533,600	\$20,456,400	89.43
FED	17,757,400	28,603,200	37.20
PR	<u>32,793,900</u>	<u>55,716,900</u>	<u>1.12</u>
Total	\$60,084,900	\$104,776,500	127.75

In calendar year 1995, Milwaukee County expended approximately \$69.1 million (all funds) for child welfare services. Under SB 77, the total amount of funding that would be available to support these services in 1998-99, the first full fiscal year under DHFS administration, would be \$115.0 million, or approximately 66.4% greater than the amount expended by Milwaukee County in 1995.

In developing a budget for the provision of services, DHFS used central office and regional staff, county staff and contracted staff consultants to conduct a needs assessment of the child welfare system in Milwaukee County. This needs assessment was used as the basis for determining the level of services which would be required in Milwaukee County.

DHFS System Structure. The child welfare system designed by DHFS and funded in SB 77 is based on providing services through five neighborhood-based service delivery sites and a central administrative site located in the City of Milwaukee. A total of 127.75 new state positions and \$4,533,400 (all funds) in 1997-98 and \$6,056,300 (all funds) in 1998-99 for staff-related costs would be provided under SB 77.

DHFS created a Bureau of Milwaukee Child Welfare within its Division of Children and Family Services. In addition to the 127.75 new state positions that would be authorized in SB 77, 43.0 positions, including 40.0 positions authorized in Act 303, will be incorporated into the DHFS plan. The Governor's budget includes full funding of these positions in the 1997-99 biennium. These positions, while included in the description of the plan below, are not reflected in the table above. With the additional positions that would be authorized under SB 77, DHFS would be authorized a total of 170.75 positions to provide child welfare services in Milwaukee County.

An additional 510.50 county and contract staff, \$14,081,600 (all funds) is budgeted in 1997-98 and \$25,777,000 (all funds) in 1998-99 for child welfare services that will be provided by vendors under contract with DHFS. DHFS intends to sign contracts for staff and other services after the effective date of the bill.

DHFS Management and Administration. Management staff in the Bureau of Milwaukee Child Welfare will consist of a director located in Madison, a Milwaukee child welfare reform director that will be responsible for administration of the child welfare system in Milwaukee County and a manager at each of the five neighborhood service delivery sites. Each of these management positions will be supported by an administrative assistant. The central administrative site will also have two clerical support positions.

A total of 16.0 staff will be responsible for ensuring procedures and standards are adhered to among the five service delivery sites and the central sites and monitoring the contracts for staff and services provided under the DHFS plan. In addition, the budget provides for 1.0 attorney, 2.0 training officers, a 0.75 payroll and benefits specialist and 3.0 project senior accountants to provide fiscal services. A total of \$994,500 (all funds) in 1997-98 and \$1,326,000 (all funds) in 1998-99 would be provided for administrative staff costs.

The design of the child welfare system in Milwaukee County under DHFS administration includes three primary staff service functions: (1) intake; (2) assessment; and (3) on-going case management. The following table identifies the staffing and caseloads that would be provided under the Governor's budget and DHFS estimates of current Milwaukee County staff for the three primary staff services functions for providing child welfare services.

	<u>Social Workers</u>		<u>Monthly Caseload Per Social Worker</u>	
	<u>Milwaukee County</u>	<u>DHFS</u>	<u>Milwaukee County</u>	<u>DHFS</u>
Intake System	10	9	116	129
Assessment/Investigation	50	85	25	12
Case Management	150	250	30-40	18

In addition to staff services, the child welfare system is responsible for funding direct services and placement costs for children in need of protection and services. The various aspects of the child welfare system under DHFS administration are described below.

Intake System. The intake system for receiving all incoming reports of possible child abuse or neglect would be located at a central administrative site. The staff unit responsible for providing intake services would consist of 9.0 social workers, 2.0 supervisors, and 2.0 clerical staff that would be responsible for receiving approximately 1,160 reports of possible abuse or neglect per month. Staff would be available 24 hours per day to accept these calls. DHFS anticipates that each intake social worker would require approximately 45 minutes per report. Milwaukee County currently has 10.0 social workers and 1.0 supervisor that are responsible for similar functions.

Social workers and their supervisors would be responsible for identifying cases which should be screened into the system or referred to other resources within the community. Cases screened into the system would be referred to the appropriate neighborhood service delivery area for assessment.

Assessment. DHFS anticipates that 88% of the reports received by the intake system would be screened into the child welfare system for assessment (1,023 per month). The assessment unit would be comprised of 85 social workers, 15 supervisors and 15 clerical staff located among the five neighborhood service delivery sites. This unit would be responsible for receiving reports from the central intake system and investigating those reports to determine if abuse or neglect have occurred and whether a child is safe in his or her home. This determination would be based on interviews with family members, home visits and other contacts in order to determine the level and nature of child, caregiver and family functioning, and identification of any factors within the family that place a child at risk. Based on the standards developed by DHFS, each social worker would complete an average of 12 assessments per month. Milwaukee County currently has approximately 50 social workers, each of whom investigate approximately 25 cases each per month.

At the assessment stage, DHFS assumes that 31% of cases will require either mental health or substance abuse evaluations to determine the safety of the child in the home. SB 77 provides \$467,100 in 1997-98 and \$934,200 in 1998-99 for these evaluations.

If the assessment social worker substantiates the allegations of abuse or neglect and determines that the child may be at risk of further abuse or neglect, a case is opened and a determination is made whether the child can remain at home with appropriate services provided, or if the child needs to be removed and placed in alternate care. Otherwise the case is closed.

DHFS projects that approximately 55% of the reports screened into the child welfare system for assessment (approximately 560 cases per month) will be opened at the assessment stage. Of this group, 48%, or 270 cases per month will be referred to the safety services program. These are cases where it is determined that a child may be at risk of abuse or neglect, but with appropriate services, the child can remain safely in his or her home.

Safety Services. The safety services program will provide up to five months of safety services to families referred to it by the assessment units of the child welfare system. DHFS will contract with a safety service coordinator for each of the five neighborhood service delivery sites. These coordinators will be responsible for managing the safety services program and providing safety services managers and providers.

During the period of service, an assigned safety services manager and safety service providers will work with the family to assist them in controlling for child safety, stabilize family functioning, and accessing necessary formal and informal supports. Specific safety services

funded in SB 77 include: (a) supervision, observation, basic parenting assistance, social and emotional support and basic home management; (b) child care; (c) routine and emergency drug and alcohol services and screening; (d) family crisis counseling; (e) routine and emergency mental health services; and (f) respite care. Families will receive services that are appropriate to their specific situation as determined by the assessment social worker and the safety services manager. A total of \$7,082,600 (all funds) is budgeted in 1997-98 and \$22,176,600 (all funds) in 1998-99 for these services.

Temporary Care. If, at the assessment stage, the social worker determines that the child cannot remain safely in the home, the child is removed from that home and usually placed in temporary care until either the child can safely return home, or another out-of-home placement can be arranged. DHFS anticipates the average length of stay in temporary care will be 14 days. A total of \$898,600 (all funds) is budgeted in 1997-98 and \$1,797,100 in 1998-99.

Out-of-home Placement Costs. DHFS anticipates that, on January 1, 1998, it will become responsible for approximately 5,200 children living in out-of-home care in Milwaukee County. In addition, approximately 351 new children per month will be placed in out-of-home care. The projected average length of stay for all children in out-of-home care is 17 months. Most children will be placed in foster homes with average length of stays of 12 to 14 months. The following table identifies the anticipated type of placement for new cases and the total funding provided for each type of placement in SB 77.

<u>Type of Placement</u>	<u>Percent of New Cases</u>	<u>1997-98 All Funds</u>	<u>1998-99 All Funds</u>
Foster Home	58%	\$11,244,300	\$24,303,200
Relative	35	*	*
Treatment Foster Home	3	2,223,000	3,128,800
Child Caring Institution	3	2,516,100	5,015,500
Group Home	1	314,400	892,600
Total	100%	\$16,297,800	\$33,340,100

* Kinship care payments would support the costs of care for children placed with relatives. SB 77 provisions relating to kinship care will be addressed in a separate paper prepared by this office.

Foster Care Placement Services. DHFS intends to contract with Milwaukee County Department of Human Services for foster care placement services to recruit and license foster homes and provide support for foster families. These staff will work closely with case management staff to match children with an appropriate foster home. SB 77 includes \$2,446,900 (all funds) in 1997-98 and \$4,763,400 (all funds) in 1998-99 for 72 social workers, 12 supervisors and 12 clerical staff to provide foster care placement services.

In addition, SB 77 provides \$250,000 annually (all funds) for publicity to recruit foster families and \$276,500 (all funds) in 1997-98 and \$552,900 (all funds) in 1998-99 for foster parent training.

Ongoing Case Management. Once a child is placed in out-of-home care, a social worker is assigned to that case to provide on-going case management services. These services include the following:

- Re-assessing child safety on a continual basis;
- Conducting a family assessment and developing a treatment plan in order to assemble treatment services necessary to ameliorate any results of abuse or neglect;
- Changing core conditions that create safety and risk concerns with the family;
- Developing and implementing a plan to work toward reunification with the natural family or another permanent home environment; and
- Preparing all necessary documentation for permanency plan reviews, extensions of out-of-home placement court orders and prosecution of termination of parental rights cases.

SB 77 provides funding for 250 case managers, 40 supervisors and 40 clerical staff to be divided among the five neighborhood service delivery areas. DHFS intends to contract with Milwaukee County Department of Human Services to provide case management services in two of the sites. The remaining three sites would be serviced by private vendors. Responses to a request-for-proposal for the three private vendor sites were due to DHFS by May 15, 1997. Based on the staffing proposal included in SB 77, each case manager would be assigned 18 families.

In addition, each vendor and Milwaukee County would be responsible for providing a court social worker liaison to be the primary contact between the judicial system and the social workers located at the five neighborhood sites. These social workers would be responsible for routine court work as well as ensuring that cases coming up in court are appropriately prepared and documented. In SB 77, funding for contracted case management services totals \$9,160,400 (all funds) in 1997-98 and \$16,642,500 (all funds) in 1998-99.

Continuing Services. To ensure permanency plan outcomes, DHFS is budgeting for continuing services for children and families. The lawsuit filed by the ACLU, was particularly critical of the lack of on-going services provided to children in out-of-home care and their families in order to achieve permanency plan goals.

DHFS has budgeted continuing services for children and their families based on permanency plan requirements. Continuing services include: (a) parenting education, non-

professional support and counseling, basic home management and life skills education; (b) mental health, substance abuse, family, individual, group and marital counseling; (c) substance abuse treatment; (d) child care; (e) respite care; and (f) transportation. The amount included in SB 77 for on-going services totals \$1,659,300 (all funds) in 1997-98 and \$8,591,400 (all funds) in 1998-99.

In addition, SB 77 provides \$396,000 (all funds) in 1997-98 and \$792,000 (all funds) in 1998-99 for the Wraparound Milwaukee program. This program provides an integrated service plan approach for providing services to children with severe emotional disturbances. The funding in SB 77 provides for 20 slots to prevent the need for placing children in child caring institutions or for children leaving child caring institutions.

Adoption Placement Services. Under the proposal, approximately 13% of new cases and 30% of existing case in out-of-home care are expected to have permanency plan goals of termination of parental rights (TPR). DHFS intends to contract with Milwaukee County Department of Human Services for adoption placement services to recruit potential adoptive families, and study those families to determine if they are appropriate homes for adoption. This staff will also work with ongoing case managers to place children with appropriate families. SB 77 provides a total of \$1,453,500 (all funds) in 1997-98 and \$2,829,600 (all funds) in 1998-99 and 43 social workers, 7 supervisors and 7 clerical staff to provide adoption placement services. In addition, \$250,000 annually (all funds) is provided for publicity costs to recruit potential adoptive families.

Other Services. The bill provides funding for: (a) independent investigations for cases involving allegations of abuse or neglect in foster homes (\$90,000 in 1997-98 and \$180,000 in 1998-99); and (b) foster care review board for semi-annual review of permanency plans (\$60,000 in 1997-98 and \$120,000 in 1998-99).

Administrative Costs. In addition to administrative staff services described above, the bill includes funding for a number of administrative functions, including:

- Development and implementation of an automated case management system (\$7,272,700 in 1997-98 and \$3,287,200 in 1998-99);
- Determination of eligibility for reimbursement of costs from federal medicaid and Title IV-E programs (\$244,300 in 1997-98 and \$488,600 in 1998-99).
- One-time training costs and on-going staff development (\$570,000 in 1997-98 and \$503,800 in 1998-99; and
- Furniture and travel costs (\$1,392,600 in 1997-98 and \$525,500 in 1998-99).

Projected Offsets. DHFS anticipates receiving revenue from a variety of sources to offset the costs of administering the child welfare system in Milwaukee County. Specifically, the bill includes revenues from:

- Milwaukee County's required contribution for the provision of child welfare services (\$24,365,900 in 1997-98 and \$48,731,700 in 1998-99);
- Refunds and recoveries from child support payments, supplemental security income payments, and other sources of revenue provided for care of children in DHFS custody (\$2,319,700 in 1997-98 and \$4,639,500 in 1998-99);
- Funding in the DHFS base budget for Milwaukee child welfare costs (\$499,800 in 1997-98 and \$999,800 in 1998-99);
- Funding available from the repeal of specific programs related to providing child welfare programs in Milwaukee (\$533,800 in 1997-98 and \$1,067,500 in 1998-99). These activities will be incorporated into the child welfare system under DHFS administration.

Other Expenditure Authority. PR expenditure authority is provided to DHFS for activities performed by the Division Management and Technology and billed to the Division of Children and Family Services for Milwaukee child welfare system administration. A total of \$6,108,300 PR is budgeted in 1997-98 and \$2,345,700 PR in 1998-99. These costs are primarily related to development of the automated case management system and infrastructure support. Personnel and fiscal services costs are also included in these amounts.

MODIFICATIONS TO SB 77 REQUESTED BY DHFS

In a letter to the Co-Chairs of the Committee dated April 21, 1997, DHFS Secretary Leean requested two language changes to the bill related to the administration of child welfare services in Milwaukee County.

The first change would require that two members be appointed to the Milwaukee Child Welfare Partnership Council by the children's services networks which, under current law, are organized by the agencies responsible for administering Wisconsin Works (W-2) in Milwaukee County and that the children's services networks provide a forum for discussion of Milwaukee child welfare issues. This change is intended to achieve the appropriate linkages and coordination between the advisory groups for W-2 and those for Milwaukee child welfare.

The second change would modify the required contribution by Milwaukee County towards the costs of providing child welfare services. The contribution included in the bill does not include \$13.8 million FED received by Milwaukee County through community aids. This change is requested to make SB 77 consistent with the requirement in Act 303 that Milwaukee

County provide on an annual basis the level of funding expended in calendar year 1995 for the costs of administering child welfare services in that county.

In a second letter to the Co-Chairs of the Committee dated May 12, 1997, Secretary Leean requested changes to funding provided for Milwaukee child welfare. Specifically the letter requested funding for the following items:

- Costs to provide medical assistance (MA) eligibility to parents who lose custody of their children as a result of a court order;
- Increased capitation rates for health maintenance organizations (HMOs) in Milwaukee County for the increased level of mental health and substance abuse treatment that HMOs will be required to provide to parents of children in the child welfare system;
- Child care for working foster parents in Milwaukee County; and
- Overhead and administrative costs which address concerns that funding provided for contracted staff would not be sufficient to enable Milwaukee County to participate in the administration of child welfare services.

In addition, DHFS has identified potential savings which could be applied towards the increased costs requested. DHFS has requested \$1,695,800 GPR in 1997-98 and \$5,719,200 GPR in 1998-99 to fund its request, which reflects these projected savings. These requests will be reviewed in subsequent budget papers prepared by this office.

The attachment provides a summary of the cost of providing child welfare services in Milwaukee County as provided in SB 77.

Prepared by: Rachel Cissne

**Milwaukee Child Welfare Services
Governor's Recommendations**

<u>Cost Items</u>	<u>1997-98</u>			<u>1998-99</u>		
	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
State Staff	\$3,173,400	\$1,360,000	\$4,533,400	\$4,239,300	\$1,817,000	\$6,056,300
Contract Staff Services						
Foster Care Placement Services	\$2,039,900	\$933,500	\$2,973,400	\$3,813,500	\$1,752,800	\$5,566,300
Case Management Services	5,928,600	3,231,800	9,160,400	10,789,500	5,853,000	16,642,500
Adoption Placement Services	1,192,500	511,000	1,703,500	2,155,700	923,900	3,079,600
Financial Eligibility Determinations	171,000	73,300	244,300	342,000	146,600	488,600
Subtotal	\$9,332,000	\$4,749,600	\$14,081,600	\$17,100,700	\$8,676,300	\$25,777,000
Evaluations	302,100	165,000	467,100	605,700	328,500	934,200
Safety Services	6,550,700	531,900	7,082,600	20,511,100	1,665,500	22,176,600
Temporary Care	581,100	317,500	898,600	1,165,100	632,000	1,797,100
Out-of-home Placements						
Foster care	\$7,271,900	\$3,972,400	\$11,244,300	\$15,756,000	\$8,547,200	\$24,303,200
Group home	203,300	111,100	314,400	578,700	313,900	892,600
Child caring institution	1,627,200	888,900	2,516,100	3,251,600	1,763,900	5,015,500
Treatment foster care	1,437,700	785,300	2,223,000	2,028,400	1,100,400	3,128,800
Subtotal	\$10,540,100	\$5,757,700	\$16,297,800	\$21,614,700	\$11,725,400	\$33,340,100
Continuing Services	1,279,200	380,100	1,659,300	7,229,400	1,362,000	8,591,400
Wraparound Services	256,100	139,900	396,000	513,500	278,500	792,000
Automated Information System	3,636,400	3,636,400	7,272,800	1,643,600	1,643,600	3,287,200
Independent Investigations	63,000	27,000	90,000	126,000	54,000	180,000
Foster Care Review Board	42,000	18,000	60,000	84,000	36,000	120,000
Training and Continuing Education	313,500	256,500	570,000	277,100	226,700	503,800
Furniture and Travel	974,800	417,800	1,392,600	367,900	157,700	525,600
Total	\$37,044,400	\$17,757,400	\$54,801,800	475,478,100	\$28,603,200	\$104,081,300
Base Funding Available						
DHFS Staff Costs	\$942,500	\$403,900	\$1,346,400	\$942,500	\$403,900	\$1,346,400
Other Costs	2,475,500	7,065,400	9,540,900	2,475,500	7,076,700	9,552,200
Total Base Funding	\$3,418,000	\$7,469,300	\$10,887,300	\$3,418,000	\$7,480,600	\$10,898,600
Total Budgeted Expenditures	\$40,462,400	\$25,226,700	\$65,689,100	\$78,896,100	\$36,083,800	\$114,979,900
Offsets						
Milwaukee County Contribution	-\$24,365,900	\$0	-\$24,365,900	-\$48,731,700	\$0	-\$48,731,700
Base Funding Available for						
Costs Included in DHFS Plan	-291,400	-208,400	-499,800	-583,000	-416,800	-999,800
Refunds and Recoveries	-2,319,700	0	-2,319,700	-4,639,500	0	-4,639,500
Other Base Funding Available	-533,800	0	-533,800	-1,067,500	0	-1,067,500
Total Offsets	-\$27,510,800	-\$208,400	-\$27,719,200	-\$55,021,700	-\$416,800	-\$55,438,500
Total Funding, Adjusted to reflect Offsets	\$12,951,600	\$25,018,300	\$37,969,900	\$23,874,400	\$35,667,000	\$59,541,400

*In addition to the amounts in the table, SB 77 provides \$6,108,300 PR in 1997-98 and \$2,345,700 PR in 1998-99 to reflect funding transferred within DHFS for administrative support services provided by the Division of Management and Technology.

Health and Family Services

Children and Family Services and Supportive Living

(LFB Budget Summary Document: Page 298)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1,2	Community Aids Funding and Statutory Changes (Paper #466)
3	Funding for the Community Options Program (Paper #467)
5	Long-Term Care Single-Entry Point Pilot Program (Paper #468)
10	Reestimate of Foster Care and Adoption Assistance Payments (Paper #469)
11	Federal Foster Care and Adoption Assistance Reimbursement/Information Technology Infrastructure Support (Paper #470)
12	Foster Parent Training (Paper #471)
13	Special Needs Adoption Services (Paper #472)
14(part)	Transfer Community Intervention Program (Paper #473)
15	Adolescent Pregnancy Prevention, Pregnancy and Parenting Services (see Paper #160)
17	Substance Abuse and Mental Health Block Grants (Paper #474)
28,29	Drug Abuse Program Improvement Surcharge and the Alliance for a Drug-Free Wisconsin (Paper #475)
30	Intoxicated Driver Program (Paper #476)
31	Statutory Rape Prosecutor (see Paper #346)
32	Domestic Violence Programs (Paper #477)