



## Legislative Fiscal Bureau

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February 10, 1998

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 325: Funeral and Burial Expenses for Recipients of Public Assistance Benefits

Senate Bill 325 was introduced on October 15, 1997, and referred to the Senate Committee on Health, Human Services, Aging, Corrections, Veterans and Military Affairs. On November 4, 1997, that Committee recommended the bill for passage by a vote of 7 to 0. The bill was then referred to the Joint Committee on Finance.

### SUMMARY OF BILL

**Reimbursement of Funeral and Burial Expenses.** Under current law, if any individual who is receiving public assistance benefits dies, and the estate of that recipient is insufficient to pay the funeral, burial and cemetery expenses for that recipient, the county or tribe is required to pay up to \$1,000 in cemetery expenses and up to \$1,000 for the funeral and burial expenses not paid by the estate of the recipient and other persons. The state is required to reimburse the county or tribe for these cemetery and funeral and burial expenses. Reimbursement is provided from appropriations within the Department of Workforce Development (DWD). Reimbursement for funeral, burial and cemetery expenses in excess of \$1,000 may be provided if DWD approves the reimbursement due to unusual circumstances.

If the total funeral and burial expenses for the recipient exceed \$3,500, no payment for the funeral and burial expenses is required. Similarly, if the total cemetery expenses exceed \$3,500, the county or tribe is not required to make any payment for the cemetery expenses of the recipient.

Funeral, burial and cemetery expenses may be provided only if the deceased individual was receiving benefits: (a) under a Wisconsin Works (W-2) subsidized employment position; (b) as a custodial parent of an infant age 12 weeks or under in the W-2 program; (c) under the medical assistance (MA) program; or (d) under the supplemental security income (SSI) program.

According to DWD, funeral and burial expenses may include all costs connected with the preparation of the body, purchase of a casket, burial clothing, and the employment of personnel for funeral and grave side services and transportation. Cemetery expenses may include cremation, cremation permits, internment, opening and closing of the grave, burial plot, perpetual care, use of a lowering device, tent, grass matting, chairs and body storage. When required by the cemetery, expenses may include a crypt, vault or concrete slab covering the top of a wooden box and a grave marker.

Senate Bill 325 would increase the maximum amount that the county or tribe would be required to pay for funeral and burial expenses of a public assistance recipient from \$1,000 to \$2,000. Senate Bill 325 would not modify the requirement that the county, tribe or applicable organization pay up to \$1,000 for cemetery expenses, nor would it modify other provisions related to cemetery, funeral and burial expenses. The increase in the maximum amount for funeral and burial expenses would first apply to expenses incurred on the day following publication of the bill.

**Treatment of Burial Trusts for MA Eligibility Purposes.** Under current law, persons who are 65 years of age or older, blind or disabled may qualify for MA if their resources and income do not exceed specified limits. In determining whether an applicant meets the resource criteria, certain types of assets are excluded. One such excluded asset is an irrevocable trust used to fund a burial agreement with a value up to \$2,000. If an applicant has an irrevocable trust with a value that exceeds \$2,000, only the value of the trust that exceeds \$2,000 is considered a countable asset.

In addition, there are other burial assets that are exempt from countable assets: (1) burial plots of any value for any member of the immediate family; (2) burial spaces, which includes vaults, caskets, mausoleums, urns, necessary and reasonable improvements upon the burial space such as headstones, and arrangements for opening and closing the gravesite for any member of the immediate family; (3) an insurance policy purchased for the insured person's funeral expenses; and (4) burial funds for the person and his or her spouse, not to exceed the difference of \$1,500 less the cash value of any excludable life insurance and the amount in any irrevocable burial trust.

Under Senate Bill 325, an irrevocable burial trust with a value of up to \$3,000 would be excluded from the determination of an MA applicant's assets. If a burial trust has a value that exceeds \$3,000, the value of the trust that exceeds \$3,000 would be considered a countable asset.

This provision would first apply to irrevocable burial trust agreements made on the first day following publication of the bill.

## FISCAL EFFECT

Senate Bill 325 provides no additional funding to reflect increases in costs the state would incur to increase payments to counties and tribes for cemetery expenses and increases in medical assistance costs.

**Reimbursement of Funeral and Burial Expenses.** Based on an effective date of April 1, 1998, the bill would result in increased costs of \$546,900 in 1997-98 (\$514,100 GPR and \$32,800 FED), and \$2,187,500 in 1998-99 and thereafter (\$2,056,300 GPR and \$131,200 FED). The GPR funding would represent the share of funeral and burial expenses provided for MA and SSI recipients. The federal dollars would be provided from the block grant received under the federal temporary assistance to needy families (TANF) program, and would represent the share of expenses for W-2 recipients.

The share of the increased costs to be provided from TANF funding is based on 1996-97 data which indicates that 6% of the cases for which DWD reimbursed local agencies for funeral and burial expenses were cases involving a recipient of aid to families with dependent children (AFDC). The remaining 94% of the cases were MA and SSI cases. Funeral expenses for MA and SSI cases are reimbursed from state GPR dollars.

In 1997, \$3.6 million was spent on funeral and burial expenses and cemetery expenses for public assistance recipients. It is estimated that \$2.5 million of this amount was expended for funeral and burial expenses. According to DWD, the number of cases for which funeral and burial expenses were paid is unknown. However, assuming funeral and burial expenses exceeded \$1,000 per case, with the \$1,000 maximum provided for each case, funeral and burial expenses were provided for 2,500 cases in 1996-97.

The fiscal effect is based on 2,500 cases, and assumes that 75% of the cases would have funeral and burial costs in excess of \$2,000, and 25% would have funeral and burial expenses of \$1,500. However, actual funeral and burial costs for public assistance recipients are unknown. Therefore, if funeral and burial expenses exceed \$2,000 for 2,500 cases, the increase in costs would be \$2,500,000 annually (\$2,350,000 GPR and \$150,000 FED). If funeral and burial expenses average \$1,500 for 2,500 cases, the increase in cost would be \$1,250,000 (\$1,175,000 GPR and \$75,000 FED).

Senate Bill 325 would need to be modified to increase funding in appropriation 20.445 (3)(dz) (public assistance administration and benefits) to account for the increased GPR costs. As noted above, the increased federal dollars would be provided from the TANF block grant funding. Under the Governor's proposed TANF expenditures plan for 1997-98, it is projected that \$22.4 million in TANF block grant funds would not be expended in the biennium and would be carried forward to the next biennium. The increased funding of \$32,800 FED in 1997-98 and \$131,200 FED in 1998-99 would reduce the ending TANF balance by \$164,000.

**MA Eligibility.** Senate Bill 325 would increase from \$2,000 to \$3,000 the value of an irrevocable burial trust that can be excluded for the purposes of determining MA eligibility for elderly and blind applicants. This provision may allow certain elderly and disabled MA applicants to become eligible for MA at an earlier date by allowing such individuals to retain an additional \$1,000 of assets, rather than requiring those assets to be used for the cost of their care. It is difficult to precisely estimate the fiscal impact of this change since there is incomplete information on the use of burial trusts. However, a range of costs can be projected.

A review of MA applications filed in February, 1997, indicated that 16% of MA applicants (approximately 600) in that month reported having burial trusts, with an average value of \$1,500. Since the average value of the burial assets was \$1,500, the sample suggests that fewer than 300 applicants monthly would utilize any expansion in the limit for irrevocable burial trusts. If it is assumed that 200 applicants per month had sufficient assets to utilize the \$1,000 expansion in an irrevocable burial trust, MA costs would increase by approximately \$2.4 million (\$1.0 million GPR and \$1.4 million FED) annually. On the other hand, if only 60 applicants per month utilize the expansion, MA costs would increase by approximately \$0.7 million (\$0.3 million GPR and \$0.4 million FED annually).

Because the bill would not increase funding for medical assistance benefits, any additional costs to the program resulting from the enactment of the bill would be funded from the existing MA benefits appropriations (approximately \$1.8 billion GPR and \$3.2 billion FED in the 1997-99 biennium). Based on current estimates of MA expenditures in the 1997-99 biennium, it is likely that DHFS would be able to absorb the projected cost increases in the 1997-99 biennium. However, to the extent that the bill increases MA payment for nursing home services, funding available to transfer to the community options program, pursuant to provisions of 1997 Wisconsin Act 27, may be reduced.

MO# passage as amended 1 and Richard Megna

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
JAUCH	<u>Y</u>	N	A
SHIBILSKI	Y	N	A
COWLES	Y	<u>N</u>	A
PANZER	Y	<u>N</u>	A
SCHULTZ	Y	<u>N</u>	A
ROSENZWEIG	Y	<u>N</u>	A
GARD	Y	<u>N</u>	A
OURADA	Y	<u>N</u>	A
HARSDORF	Y	<u>N</u>	A
ALBERS	Y	<u>N</u>	A
PORTER	Y	<u>N</u>	A
KAUFERT	Y	<u>N</u>	A
LINTON	<u>Y</u>	N	A
<u>2</u> COGGS	<u>Y</u>	N	A

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