

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **06/7/99**

Received By: **malaigm**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-8017**

By/Representing: **Carabell**

This file may be shown to any legislator: **NO**

Drafter: **malaigm**

May Contact:

Alt. Drafters:

Subject: **Public Assistance - med. assist.
Children - out-of-home placement**

Extra Copies:

Pre Topic:

LFB:.....Carabell -

Topic:

Income augmentation (LFB paper #472)

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	malaigm 06/10/99	chanaman 06/11/99		_____			
/1	gilfokm 06/11/99	gilfokm 06/11/99	mclark 06/11/99	_____	lrb_docadmin 06/11/99		
/2			martykr 06/12/99	_____	lrb_docadmin 06/12/99		

FE Sent For:

<END>

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			<i>Am 6/12</i>	<i>JJ 6/12</i>			

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1/?	malaigm	cmr w/m	MRC 6/11	MRC/JK 6/11			

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Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 7, 1999

Joint Committee on Finance

Paper #472

Income Augmentation Revenue (DHFS -- Departmentwide and Management and Technology)

CURRENT LAW

Income augmentation funds are unanticipated federal funds the Department of Health and Family Services (DHFS) receives under Titles IV-E, (foster care), XVIII (Medicare) and XIX (medical assistance) of the federal Social Security Act as reimbursement for costs that were initially paid with state or local revenue, or revenue from one of these sources that would not otherwise have been available, had it not been for activities conducted specifically to augment federal income.

DHFS currently contracts with a private firm, Maximus, Inc., to conduct activities that will increase the amount of revenue the state receives under these federal programs. Maximus assists counties and DHFS in identifying costs that were paid with county or state funds that could have been claimed for federal reimbursement.

Under federal law, there are no restrictions on the use of income augmentation revenue. These funds can be expended by the state for any purpose. Under the terms of the contract with Maximus, DHFS pays the first 10% of the total amount of income augmentation revenues the state claims to Maximus. Current statutory provisions regarding income augmentation revenues specify that income augmentation revenues can be expended in the following manner:

Title IV-E Income Augmentation Revenue to the Counties. After accounting for the 10% fee paid to Maximus, any additional income augmentation revenue claimed under Title IV-E must *first* be used to meet the state's commitment to fund the basic county allocation under community aids with revenue claimed under Title IV-E. Once the state's commitment to fund the basic county allocation is met, current law provides that at least 50% of the remaining Title IV-E income augmentation funds are distributed to counties (other than Milwaukee County) as "incentive funds." (In Milwaukee County, DHFS, rather than Milwaukee County, generates Title IV-E claims because DHFS administers the child welfare system in that county.) Counties must expend the incentive funds on projects to assist children and families. At least 50% of the

incentive funds must be expended for services for children who are at risk of abuse or neglect to prevent the need for child abuse and neglect intervention services. Counties may not use these funds to supplant other funds expended by a county for services and projects to assist children and families.

Income Augmentation Revenue Expended by DHFS. Income augmentation revenues that are not provided to counties as community aids or Title IV-E incentive funds are deposited in a DHFS federal continuing appropriation and can be expended by DHFS in the following manner:

- DHFS may expend income augmentation funds to support costs that are exclusively related to the operational costs of income augmentation activities that are not paid to Maximus under its contract. These costs could include salaries for limited-term employees, federal claims processing costs, rent, telephone services and miscellaneous supplies and services.
- If DHFS proposes to expend any income augmentation revenues for any purpose other than to support costs that are exclusively related to augmenting federal income, then DHFS is required to submit a proposed plan for the use of these remaining funds to the Department of Administration (DOA). If DOA approves a plan, the DOA Secretary submits it to the Joint Committee on Finance under a 14-day passive review process.

On April 21, 1999, the Committee approved a plan to expend \$1,042,000 in income augmentation revenue on various DHFS activities. In addition, under the plan approved by the Committee, \$382,300 in income augmentation revenue will lapse to the general fund in 1998-99.

GOVERNOR

Allocate \$313,300 FED in 1999-00 and \$1,435,200 FED in 2000-01 of federal income augmentation funds for the following activities: (a) \$75,000 in 1999-00 to support a fatherhood initiative in DWD; (b) \$238,300 in 1999-00 and \$935,200 in 2000-01 to implement changes to DHFS computer systems to comply with new health care reporting requirements of the 1996 Health Insurance Portability and Accountability Act; (c) \$500,000 to partially support costs for developing a statewide automated child welfare information system. These items have been addressed separately as part of the Committee's budget deliberations and are not discussed in this paper.

In addition, the general fund condition statement assumes that DHFS would lapse a total of \$2,427,000 in income augmentation revenue to the general fund in 1999-00.

The bill makes no changes to statutory provisions relating to income augmentation revenues.

DISCUSSION POINTS

Lapse to the General Fund

1. The revenue estimates reflected in the Governor's budget bill include an estimate that DHFS would lapse \$2,427,000 in income augmentation revenue to the general fund in 1999-00. Based on a review of the items that would be funded in the Governor's budget with income augmentation revenue, the revenue estimates should be modified to reflect that \$2,513,200 of income augmentation revenue would lapse to the general fund in 1999-00, an increase of \$86,200 from the amounts reflected in the Governor's estimates.

2. DHFS has proposed using up to \$15.6 million of income augmentation funds to partially address a \$44 million shortfall in the Governor's budget that developed after DHFS received notice that it was unlikely that it would be able to claim MA targeted case management funds to support Milwaukee child welfare services and community aids. These additional income augmentation funds had not been identified before the Committee acted on the administration's plan to use previously identified income augmentation funds for a variety of purposes on April 21, 1999.

3. At this time, DHFS estimates that at least \$19.7 million in additional income augmentation funds are available. After subtracting other DHFS costs directly attributable to claiming these funds and the 50% share for county incentive funds, it appears that approximately \$9.5 million in income augmentation revenues are available at this time that could be deposited to the general fund or used for other purposes.

4. The administration's estimate that up to \$15.6 million in income augmentation revenues could be used to address the targeted case management issue in the 1999-01 biennium reflects both: (a) an expectation that income augmentation funds in addition to the \$9.5 million estimated to be available in 1998-99, would be claimed in the 1999-01 biennium; (b) a recognition of the need to offset GPR funding increases necessary to address the targeted case management issue. On May 18, 1999, the Committee increased GPR funding in the bill by \$43.7 million in the biennium to address the issue.

5. Rather than wait for DHFS or DOA to submit the next plan to allocate these newly-identified income augmentation funds, the Committee could incorporate a portion of these funds into the budget by requiring DHFS to lapse a specified amount to the general fund in the 1999-01 biennium, up to the amount the administration proposed as a means of addressing the targeted case management issue (\$15.6 million).

6. This approach would ensure that these funds are accounted for and available for use as part of the 1999-01 state budget. Further, it would provide a means for the Committee to partially offset the GPR increases necessary to address the targeted case management issue. Under this approach, DHFS, DOA and the Committee would not have the opportunity to expend these funds for other items under the current plan review process outlined in the statutes.

Process for Approval of Expenditures

7. Under current law, DOA and DHFS are not required to report regularly on the status of income augmentation funds, nor is DHFS or DOA required to submit a plan for the allocation of these funds on a regular basis. These funds are credited to a federal continuing appropriation. Consequently, they accumulate until DOA and the Committee approve a specific expenditure plan advanced by DHFS.

8. This lack of specificity regarding the timing of an income augmentation expenditure plan creates a considerable amount of uncertainty for the Legislature regarding the availability of revenues from this source. The revenues DHFS projects the state to receive in 1998-99 are not reflected in Assembly Bill 133. The Governor's recommendations only address a portion of the revenue that DHFS collected between July, 1997, and March, 1998. It is not known when DHFS will forward a plan to the Committee to expend the revenues collected in 1998-99. However, DHFS may not advance a proposal before the completion of the Committee's 1999-01 budget deliberations.

9. Under current practice, there is a significant lag between the time that income augmentation revenues are available and the time when the Committee is notified of their availability. For example, DOA forwarded the most recent expenditure plan for income augmentation revenues plan to the Committee on February 24, 1999, to expend revenues that were collected between July, 1997, and March, 1998. Because the Committee notified DOA that it wished to meet to discuss the plan, the Committee did not approve the plan until April 21, 1999, over one year after DHFS received the revenue.

10. In order to ensure that DOA and the Committee are informed of the availability of these revenues on an ongoing basis, the Committee could require DHFS to develop a plan by September 1 of each year and that DOA submit the plan to the Committee by October 1 of each year to allocate income augmentation funds received in the previous fiscal year. This provision could first apply to revenue generated in fiscal year 1998-99. This change would also allow counties to plan for future increases in county incentive funds.

11. The Committee could also consider modifying the plan approval process by allocating a specific percent of the revenues not allocated to the counties or used directly for income augmentation revenues for either DHFS activities, the general fund or both. Under the current process:

- DHFS, DOA and the Committee have maximum flexibility to determine how to allocate the state's share of these funds. The activities funded with the state's share may not be related to the original source of these income augmentation funds. For example, although most of the state's share of income augmentation funds that have been available to date have resulted from additional Title IV-E (foster care) claims, the state's share of these funds have not, to date, been used exclusively to increase direct support for child welfare services.

- There is no certainty that any of these funds will be deposited to the general fund.
- Some of the items included in the administration's most recent expenditure plan were items for which DHFS had already committed funding. For example, DHFS requested funding to offset a required \$400,000 GPR reduction in operations for the Wisconsin Resource Center for 1998-99. By the time the Committee reviewed the administration's expenditure plan, the Committee could not delete funding for this item without requiring DHFS to close units at the Resource Center. Had the Committee reviewed the plan earlier in the fiscal year, the Resource Center could have planned for this reduction and may not have been required to close units.
- The administration's most recent plan included several items that were high priorities for the DHFS Division of Management and Technology (DMT) that were not approved by the Committee. These items included funding for the Department to implement changes to the DHFS fiscal management system and payroll processing system to comply with new DOA requirements (\$150,000) and funding to support DHFS information technology infrastructure costs and personnel costs attributable to the Division of Care and Treatment Facilities (\$108,900). It is possible that the Committee did not approve these items because it determined that they should have been funded from other sources, including GPR, either from the Department's base or with additional funds provided in the Governor's budget recommendations, or that they were not high priorities for the Committee.
- The availability of future income augmentation fund allocations can affect decisions regarding the state budget. The Governor and the Legislature may deny DHFS budget requests by arguing that, rather than funding these items with GPR or other sources, these items can be funded with future income augmentation funds. However, the Committee may choose not to support these items in approving plans advanced by the administration. Finally, the Governor, the Committee and the Legislature may wish to address the issue of funding for community aids in the budget by also considering the availability of county incentive funds.

12. DHFS staff indicate that it is necessary to maintain an incentive for DHFS to allocate staff time to pursue income augmentation revenues and that, if DHFS is not provided an opportunity to fund items DHFS determines to be high priority, which the current process provides, DHFS will not maintain the current level of staff support to secure income augmentation funds. This would likely reduce the amount of income augmentation revenues the state receives in the future.

13. One option for the Committee's consideration would be to allocate a portion of future income augmentation revenue for DHFS activities, in the same way that counties receive a portion of these revenues for specified activities. For example, the statutes could be modified to allocate a percent of the state's share of income augmentation revenues for activities performed by the Department's Division of Management and Technology because this division incurs most expenses in collecting these revenues. Alternatively, DHFS could determine which types of activities it would fund from its share of these revenues. These alternatives would not apply to

the terms of the DHFS contract with Maximus, Inc.

14. If the Committee wishes to allocate a portion of the state's share of these funds for DHFS activities, it may also wish to specify that a portion of these revenues be deposited to the general fund. One could argue that, because these funds are available as a result of "overpayment" of state MA funds and county activities partially supported by GPR, these funds could offset a small portion of the state's GPR costs for MA or community aids.

15. Finally, the Committee could budget \$167,200 FED annually from income augmentation revenues received from Medicare, MA and Title IV-E directly in the Division of Management and Technology to reflect DHFS operational costs exclusively relating augmenting federal income and require DHFS to distribute the remainder to counties as incentive funds. Under this alternative, most of the Title IV-E income augmentation revenue would be provided to counties as incentive funds, since the Title IV-E income augmentation revenue is available as reimbursement for costs incurred by counties and funded either by a county's community aids allocation or local tax revenue.

ALTERNATIVES TO BASE

A. Lapse to General Fund

1. Require DHFS to lapse a total of \$2,513,200 in income augmentation revenue to the general fund in 1999-00, instead of \$2,427,000, as assumed in the bill.

<u>Alternative A1</u>	<u>GPR</u>
1999-01 REVENUE (Change to Base)	\$86,200
[Change to Bill]	\$86,200]

2. In addition to Alternative A1, require DHFS to lapse up to \$15.6 million of income augmentation funds to the general fund in the 1999-01 biennium (including \$9.5 million within 30 days of the bill's general effective date).

<u>Alternative A2</u>	<u>GPR</u>
1999-01 REVENUE (Change to Base)	\$15,600,000
[Change to Bill]	\$15,600,000]

3. Take no action.

B. Reporting Requirements

46,46(2) 1. Require DHFS to submit to DOA a proposal to allocate income augmentation revenues received in the previous fiscal year by September 1 of each year and that DOA submit the plan to the Committee by October 1 of each year.

2. Maintain current law.

C. Allocation of the State's Share to DHFS

Adopt one of the following to allocate a portion of the state's share of income augmentation revenue to DHFS.

1. 10% for activities conducted by the Division of Management and Technology, *plus* costs exclusively related to the costs of income augmentation activities.

2. 10% for any activities, as determined by DHFS, *plus* costs exclusively related to the costs of income augmentation activities.

3. 20% for any activities, as determined by DHFS, *including* the costs of income augmentation activities.

4. Maintain current law by not allocating a portion of the income augmentation revenue to DHFS *except* for costs exclusively related to the costs of income augmentation activities.

D. Allocation of Remaining Portion of State's Share

Adopt one of the following to allocate the remaining portion of the state's share of income augmentation funds (after accounting for any allocation to DHFS).

1. 100% to the general fund. Delete all provisions relating to the Committee's review and approval of the state's share of income augmentation revenues.

2. 50% to the general fund. The remainder would be subject to the Committee's review and approval as provided under current law.

3. Maintain current law by not earmarking any of the remaining share of these revenues for deposit to the general fund. Expenditure of these revenues would continue to be subject to the Committee's review and approval.

E. Allocation of State's Share to Counties

1. Instead of one of the alternatives under C or D, provide \$167,200 FED annually in the DHFS Division of Management and Technology from federal income augmentation revenues

for operational costs exclusively related to augmenting federal income. Further, specify that income augmentation revenue would be distributed to counties as incentive funds, except for any Title IV-E income augmentation revenue appropriated directly in the Division of Management and Technology. Further, require DHFS to fund the \$167,200 FED proportionately from income augmentation revenues received under Medicare, MA and Title IV-E. Under this alternative, any other income augmentation revenue available under Medicare or MA would be distributed as provided under current law.

Alternative E1	FED
1999-01 FUNDING (Change to Base)	\$334,400
<i>[Change to Bill]</i>	<i>\$334,400]</i>

2. Maintain current law.

Prepared by: Rachel Carabell and Charles Morgan



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0578/1
GMM.....
cmj

Soon

LFB:.....Carabell – Income augmentation (LFB paper #472)

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION
LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 1. Page 637, line 18: after that line insert:

3 "SECTION 1091m. 46.46 (2) of the statutes is amended to read:

4 46.46 (2) If the department proposes to use any moneys from the appropriation
5 account under s. 20.435 (8) (mb) for any purpose other than the purpose specified in
6 sub. (1), the department shall submit a plan for the proposed use of those moneys to
7 the secretary of administration by September 1 of the fiscal year after the fiscal year
8 in which those moneys were received. If the secretary of administration approves the
9 plan, he or she shall submit the plan to the joint committee on finance by October 1
10 of the fiscal year after the fiscal year in which those moneys were received. If the
11 cochairpersons of the committee do not notify the secretary of administration within
12 14 working days after the date of submittal of the plan that the committee has

1 scheduled a meeting for the purpose of reviewing the plan, the department may
 2 implement the plan. If within 14 working days after the date of the submittal by the
 3 secretary of administration the cochairpersons of the committee notify him or her
 4 that the committee has scheduled a meeting for the purpose of reviewing the plan,
 5 the department may implement the plan only with the approval of the committee.”

History: 1997 a. 27, 86.

6 **2.** Page 1441, line 10: after that line insert:

7 **(2x)** LAPSE OF INCOME AUGMENTATION RECEIPTS. **(a)** Notwithstanding section
 8 20.001 (3) (c) of the statutes, by no later than 30 days after the effective date of this
 9 paragraph, the secretary of administration shall lapse to the general fund
 10 \$9,500,000 from the appropriation account to the department of health and family
 11 services under section 20.435 (8) (mb) of the statutes, as affected by the acts of 1999.

12 **(b)** Notwithstanding section 20.001 (3) (c) of the statutes, by no later than June
 13 30, 2001, the secretary of administration shall lapse to the general fund \$6,100,000
 14 from the appropriation account to the department of health and family services
 15 under section 20.435 (8) (mb) of the statutes, as affected by the acts of 1999, in
 16 addition to the amount lapsed under paragraph (a).”

17 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0578/1
GMM:cmh:mrc

King

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\$12,013,200

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6 **2.** Page 1441, line 10: after that line insert:

7 “(2g) LAPSE OF INCOME AUGMENTATION RECEIPTS.

8 (a) Notwithstanding section 20.001 (3) (c) of the statutes, by no later than 30
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10 lapse to the general fund ~~\$9,500,000~~ from the appropriation account to the
11 department of health and family services under section 20.435 (8) (mb) of the
12 statutes, as affected by the acts of 1999.

13 (b) Notwithstanding section 20.001 (3) (c) of the statutes, by no later than June
14 30, 2001, the secretary of administration shall lapse to the general fund \$6,100,000
15 from the appropriation account to the department of health and family services
16 under section 20.435 (8) (mb) of the statutes, as affected by the acts of 1999, in
17 addition to the amount lapsed under paragraph (a).”

18 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0578/2
GMM:kmg&cmh:km

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12 statutes, as affected by the acts of 1999.

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15 from the appropriation account to the department of health and family services
16 under section 20.435 (8) (mb) of the statutes, as affected by the acts of 1999, in
17 addition to the amount lapsed under paragraph (a).”.

18 (END)