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XV. Department of Health and Family Services – Laura Flood, Division Administrator

The department requests the transfer of \$413,500 in fiscal year 2000-01 from the department's relief block grants to counties appropriation under s. 20.435(4)(bt) to the conditional and supervised release treatment and services appropriation under s. 20.435(2)(bj) to ensure that funding is sufficient to provide services through the end of this fiscal year.

Governor's Recommendation

Modify the request slightly to transfer \$411,000 to the conditional and supervised release program appropriation.



WISCONSIN DEPARTMENT OF  
ADMINISTRATION

SCOTT McCALLUM  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY

Office of the Secretary  
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**Date:** April 20, 2001

**To:** Members, Joint Committee on Finance

**From:** George Lightbourn, Secretary  
Department of Administration *George Lightbourn*

**Subject:** Section 13.10 Request from the Department of Health and Family Services (DHFS) for the Conditional and Supervised Release Programs.

**Request**

The department requests the transfer of \$413,500 GPR in fiscal year 2000-01 from the department's relief block grants to counties appropriation under s. 20.435(4)(bt) to the conditional and supervised release treatment and services appropriation under s. 20.435(2)(bj) to ensure that funding is sufficient to provide services through the end of this fiscal year.

**Background**

The Division of Care and Treatment Facilities (DCTF) operates two community release programs for persons released from the mental health institutes and the Wisconsin Resource Center. The conditional release program provides treatment to individuals who have been found not guilty by reason of mental disease or defect and are either directly placed on conditional release by the court or conditionally released from mental health institutions. DCTF contracts with private and public agencies to oversee the cases of these clients and to provide the necessary treatment. A total of 301 clients have been served year-to-date in FY01.

The supervised release program provides treatment to individuals judged by the courts to be sexually violent persons (SVPs) under chapter 980 of the statutes and who have been released from the Wisconsin Resource Center or the Mendota Mental Health Institute by the court under the supervision of the Department. A total of twelve individuals have been placed on supervised release in FY01, but four of these have had their placements revoked over the course of the year. Currently there are eight individuals on supervised release.

The department contracts with Department of Corrections (DOC) probation and parole agents for the supervision of individuals who are conditionally released into the community by the courts, either directly or after having received treatment at the Mental Health Institutes, and of SVPs who are placed on supervised release by the courts.

The cost of community treatment and supervision is difficult to estimate, especially for the SVPs. Due to community concerns about safety, costs for the SVPs can be significant. For example, one individual's placement costs \$133,000 per year due to 24-hours-a-day supervision. Others, such as one individual who lives at home, represent no cost to the state. DCTF has implemented some strategies to contain costs, such as ensuring that third party payments are pursued and achieving economies of scale by contracting with regional service providers rather than individual agencies for conditional release clients. They also require providers to review cases every six months to determine if the client may have become eligible for Medical Assistance.

Because these actions were not all in place in FY00, the budgeted amount was exceeded and DCTF had to transfer in \$541,900 GPR from FY01, as is allowable within a biennial appropriation. Department staff believe that the cost-saving strategies they have implemented will allow the program to remain within budgeted amounts in FY01 but that the FY00 shortfall cannot be eliminated. This request is a reestimate of needed program funding to maintain services through the end of this fiscal year.

The Department anticipates that there will be sufficient funding in appropriations 20.435 (4)(bt), the general relief to counties appropriation, to allow the requested transfer. The general relief block grant program for counties other than Milwaukee provides reimbursement to counties for general relief costs under certain circumstances. In the 1995-1997 biennial budget, the state's mandatory general relief program was changed to an optional county general relief block grant program. Since the program became optional, the general relief program has lapsed over \$1 million GPR annually. Twenty counties who had relief programs in 1994 eliminated their programs by 1999, so the demand for state funding has been less than originally projected. As a result, these funds are available for transfer in FY 01.

### **Analysis**

As noted above, the costs for this program are difficult to estimate since each person has an individual treatment plan, security costs are significant for the SVPs and caseloads cannot be controlled because the individuals are placed in these programs by court order. For example, caseloads for the conditionally released were estimated in the budget to be 255 versus a reestimate of 242 in FY01. In addition, the average cost per SVP was estimated in the budget to be \$2,900 per month but that cost has been recalculated to be \$4,258. Biennial

spending for both programs was estimated to be \$7.6 million but the new projection is now \$8.3 million. Existing funds are expected to be exhausted by the beginning of May.

DCTF staff contacted all of the providers for both types of release programs in order to update the costs that would be incurred to continue to provide services through the end of this fiscal year. Using average costs per client for each program, current populations and expenditures to date, the department projects a need for an additional \$514,300. However, after accounting for encumbrances, \$103,300 is available to be spent. Using this funding as an offset results in a need for a transfer of \$411,000 which is slightly different than the amount in the department's request.

Sufficient funding will be available in the county general relief grant appropriation. From base funding of \$2 million GPR annually, expenditures through March are \$786,000. Assuming expenditures will continue at the current rate, the appropriation should have a balance of over \$950,000 which is more than enough to support the transfer requested.

**Recommendation**

Modify the request slightly to transfer \$411,000 to the conditional and supervised release program appropriation.

Prepared by: Susan Jablonsky  
267-9546



State of Wisconsin  
**Department of Health and Family Services**

Scott McCallum, Governor  
Phyllis J. Dubé, Secretary

March 16, 2001

The Honorable Brian Burke  
Senate Co-Chair, Joint Committee on Finance  
Room 316 South, State Capitol  
Madison, WI 53702

The Honorable John Gard  
Assembly Co-Chair, Joint Committee on Finance  
Room 315 North, State Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Health and Family Services requests that the Committee, acting under s. 13.10, transfer \$413,500 from s. 20.435(4)(bt) [General Relief] to s. 20.435(2)(bj) [Conditional & Supervised Release] in order to adequately fund the Conditional and Supervised Release program for the remainder of FY 01. This program is funded through a biennial GPR appropriation, which is projected to be insufficient to cover the costs of services provided to clients during the 1999-2001 biennium.

**Program Background**

The Conditional Release program provides treatment to individuals who have been found not guilty by reason of mental disease or defect and either directly placed on conditional release by the court or conditionally released from mental health institutions. The program is a state-funded community-based program administered by private and public agencies under the supervision of the Department. A total of 301 clients have been served year-to-date in FY 01.

The Supervised Release program provides treatment to individuals considered to be Sexually Violent Persons (SVPs) under chapter 980 of the statutes and who have been released by the court under the supervision of the Department. A total of twelve individuals have been placed on supervised release in FY 01, but four of these have had their placements revoked over the course of the year. Currently there are eight individuals on supervised release.

The Department contracts with Department of Corrections (DOC) probation and parole agents for the supervision both of individuals who are conditionally released into the community by the courts, either directly or after having received treatment at the Mental Health Institutes, and of

SVPs who are placed on supervised release by the courts. In addition, the Department contracts with five regional community agencies to provide oversight and case management, as well as treatment services, for conditional release clients. These agencies are required to pursue all third party reimbursement options prior to billing DHFS for services to conditional release clients.

### **Projected Budget Shortfall**

The Conditional Release Program is funded through a biennial GPR appropriation at a level of \$7,628,800 over the biennium. The Department is projecting that expenditures in this appropriation will total \$8,042,300 GPR during the biennium, resulting in a deficit of \$413,500 GPR.

Costs exceeded budgeted levels in FY 00 by \$541,900. The Department transferred funding between fiscal years to cover these costs, as was appropriate for a biennial appropriation. In FY 01, expenditures are expected to be approximately equal to the appropriation's budget. However, there are not sufficient funds to meet the biennial shortfall.

The Department is required to find placement for SVPs whom the court orders released into the community on supervised release. In FY 00 the Department placed several individuals on supervised release in living arrangements that were very costly. Some communities will accept SVPs only if expensive security arrangements are in place. The Department is forced to accept these arrangements or be found in contempt of court for not finding a community placement. As a result, the cost of supervised release placements exceeded the budget in FY 00.

In addition, in FY 00 the Department phased in its two last regional providers for the conditional release program, completing its transition from the use of small, individual service providers to larger regional providers. During this transitional year, the cost of contracts with the new providers was higher than anticipated. However, by FY 01 the new providers were able to implement some less costly living arrangements for clients. As a result, costs in the conditional release program are not projected to exceed the budget for this program this year. Efficiencies of scale achieved by these providers are expected to result in a reduced average annual cost per patient in FY 01.

Within the limits of court-order placements, the Department manages the conditional and supervised release programs as cost-effectively as possible. Conditional release clients who are working or on SSI contribute some of their own funds to their supervision costs. The Department expects contractors to aggressively pursue these third party payments before billing the state for the cost of care of these clients. Working with the Department of Corrections (DOC), the Department was also able to achieve savings in the DOC contract by reducing the number of agents supervising cases. The use of a case management system by the regional providers has reduced the need for high-level DOC supervision. The cost of supervised release placements has declined as well in FY 01, as individuals placed on supervised release in FY 00 have failed in their placements and been returned to an institution.

The Department anticipates that there will be sufficient funding in appropriation s. (4)(bt) [General Relief] to allow the requested transfer. The General Relief Block Grant Program for counties other than Milwaukee provides reimbursement to counties for General Relief costs under certain circumstances. In the 1995-1997 biennial budget, Wisconsin Act 27, the state's mandatory general relief program was changed to an optional county general relief block grant program. Since the program became optional, the General Relief Program has lapsed over \$1 million GPR annually. Twenty counties who had relief programs in 1994 eliminated their programs by 1999, so the demand for state funding has been less than originally projected. As a result, these funds are available for transfer in FY 01.

This request meets the criterion of being an "unforeseen emergency" under s. 13.101(3)(a). The Department must provide services to court-ordered conditional release and supervised release clients under state law. The Department has taken administrative steps to limit costs but is unable to continue to provide services in FY 01 without additional funds. Failure to provide the services necessary for individuals ordered into community placement will likely result in lawsuits against the Department and the state and possibly legal sanctions.

The Department requests that the Joint Committee act favorably on this request to allow the Department to continue to provide services to individuals on conditional and supervised release. Laura Flood, Administrator for the Division of Care and Treatment Facilities, will represent the Department on this request.

Sincerely,



Phyllis Dubé  
Secretary

R-1



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT McCALLUM  
GOVERNOR**

**GEORGE LIGHTBOURN  
SECRETARY**

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April 20, 2001

The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
316 South, State Capitol  
Madison, WI 53702

The Honorable John Gard, Co-Chair  
Joint Committee on Finance  
315 North, State Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Attached is our report as required under s. 16.50, Wisconsin Statutes, on the number of federally funded positions approved during the October 1 to December 31, 2000 quarter. Also shown are changes in positions approved by the UW-System and by the Legislature during the same period. There were 30.59 federal positions approved in the quarter and no deletions for a net increase of 30.59 FTE.

Of the new federal positions created, the University of Wisconsin received 7.18 FTE, the Department of Health and Family Services received 6.41, the Department of Justice received 8.0 and Department of Natural Resources received 4.0 FTE.

Also attached is our report on the surplus positions created for the same quarter.

We would be happy to answer any questions you may have on these reports.

Sincerely,

  
George Lightbourn  
Secretary

Attachments (2)

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Administration	1,127.68								1,127.68
GPR	173.11								173.11
PRO/PRS	873.46								873.46
Federal	69.41								69.41
SEG	11.70								11.70
Adolescent Pregnancy Prevention and Pregnancy Services Board									
GPR	1.50								1.50
	1.50								1.50
Aging and Long-Term Care									
GPR	27.90								27.90
PRO/PRS	10.65								10.65
	17.25								17.25
Agriculture, Trade & Consumer Protection									
GPR	734.16								734.16
PRO/PRS	292.61								292.61
Federal	298.97								298.97
SEG	68.33								68.33
	74.25								74.25
Arts Board									
GPR	12.75								12.75
PRO/PRS	5.00								5.00
Federal	1.75								1.75
	6.00								6.00
Child Abuse & Neglect Prevention Board									
PRO/PRS	4.00								4.00
	4.00								4.00
Circuit Court									
GPR	509.00								509.00
	509.00								509.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Commerce	509.55								509.55
GPR	80.40								80.40
PRO/PRS	301.25								301.25
Federal	29.20								29.20
SEG	98.70								98.70
Corrections	9,116.47								9,116.47
GPR	7,661.32								7,661.32
PRO/PRS	1,451.15	2.00							1,453.15
FED	4.00								4.00
Court of Appeals	75.50								75.50
GPR	75.50								75.50
District Attorneys	404.05								409.05
GPR	375.60								375.60
PRO/PRS	28.45	5.00							33.45
Educational Communications Board	94.50								94.50
GPR	61.75								61.75
PRO	32.75								32.75
Elections Board	13.00								13.00
GPR	13.00								13.00
Employe Trust Funds	203.85								203.85
GPR	3.50								3.50
SEG	200.35								200.35
Employment Relations Commission	31.50								31.50
GPR	28.50								28.50
PR	3.00								3.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Employment Relations Department	86.00								86.00
GPR	80.05								80.05
PRO/PRS	5.95								5.95
Ethics Board	6.50								6.50
GPR	3.00								3.00
PRO/PRS	3.50								3.50
Financial Institutions	168.50								168.50
PR	168.50								168.50
Governor's Office	48.05								48.05
GPR	48.05								48.05
Health and Family Services	6,349.95								6,356.36
GPR	1,900.05								1,900.05
PRO/PRS	3,414.85								3,414.85
Federal	1,027.05					6.41			1,033.46
SEG	8.00								8.00
Higher Educational Aids Board	13.00								13.00
GPR	12.36								12.36
PR	0.00								0.00
SEG	0.64								0.64
FED	0.00								0.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Historical Society	181.73								181.73
GPR	144.75								144.75
PRO/PRS	26.13								26.13
Federal	7.60								7.60
SEG	3.25								3.25
Insurance	134.00								134.00
PRO	120.25								120.25
SEG	13.75								13.75
Investment Board	104.50								104.50
PRO	104.50								104.50
Judicial Commission	2.00								2.00
GPR	2.00								2.00
Justice	567.90								575.90
GPR	412.40								412.40
PRO/PRS	137.25								137.25
Federal	15.50		8.00						23.50
SEG	2.75								2.75
Legislature	832.97								832.97
Legislators - GPR	132.00								132.00
Assembly Staff - GPR	253.50								253.50
Senate Staff - GPR	194.50								194.50
Legislative Technology Services- GPR	24.00								24.00
Retirement Committee - GPR	3.00								3.00
Revisor of Statutes - GPR	11.00								11.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Legislative Reference Bureau - GPR	58.00								58.00
Legislative Audit Bureau	86.80								86.80
GPR	67.00								67.00
PRS	19.80								19.80
Legislative Fiscal Bureau - GPR	35.00								35.00
Legislative Council - GPR	35.17								35.17
Lieutenant Governor's Office	7.75								7.75
GPR	7.75								7.75
Lower Wisconsin State Riverway Board	2.00								2.00
SEG	2.00								2.00
Military Affairs	386.53								386.53
GPR	121.65								121.65
PRO/PRS	28.60								28.60
Federal	236.28								236.28
Natural Resources	2,972.27								2,972.27
GPR	512.78								512.78
PRO/PRS	276.14								276.14
Federal	469.46								473.46
SEG	1,713.89				4.00				1,713.89
Personnel Commission	10.00								10.00
GPR	10.00								10.00
Public Defender	527.55								527.55
GPR	523.55								523.55
PRO/PRS	4.00								4.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Public Instruction	645.80								645.80
GPR	334.37								334.37
PRO/PRS	78.42								78.42
Federal	233.01								233.01
Public Lands	11.00								11.00
PR	11.00								11.00
Public Service Commission	192.50								192.50
PRO/PRS	191.50								191.50
Federal	1.00								1.00
Regulation and Licensing	137.50								137.50
PRO	137.50								137.50
Revenue	1,306.20								1,306.20
GPR	1,095.25								1,095.25
PRO/PRS	76.95								76.95
Federal	0.00								0.00
SEG	134.00								134.00
Secretary of State	8.50								8.50
PRO	8.50								8.50
State Fair Park Board	51.20								51.20
PRO	51.20								51.20
State Treasurer	19.50								19.50
GPR	1.00								1.00
PRO/PRS	16.50								16.50
SEG	2.00								2.00

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
Supreme Court	196.50								196.50
GPR	111.50								111.50
PRO/PRS	79.00								79.00
SEG	5.00								5.00
FED	1.00								1.00
TEACH									7.00
GPR	6.00								6.00
FED	0.00		1.00						1.00
Transportation	3,913.95								3,916.95
PRO/PRS	16.00								16.00
Federal	951.57		3.00						954.57
SEG	2,946.38								2,946.38
Tourism	62.25								62.25
GPR	58.25								58.25
PR	1.00								1.00
SEG	3.00								3.00
University of Wisconsin	28,540.31								28,567.91
GPR	18,326.94								18,326.94
PRO/PRS	6,456.60				17.69	-5.77			6,468.52
Federal	3,658.09				7.18				3,665.27
SEG	98.68				8.81	-0.31			107.18
U.W. Hospitals & Clinic Board	1,556.71								1,556.71
PR	1,556.71								1,556.71
Veterans Affairs	905.30								905.30
GPR	8.80								8.80
PRO/PRS	744.24								744.24
SEG	146.76								146.76

REPORT ON POSITIONS AUTHORIZED - OCTOBER 1 to DECEMBER 31, 2000

Agency	Budgeted Positions for FY00*9/30/2000		Approved Under s. 16.50		UW Approved		JFC or Misc. Leg.*		Totals as of 12/31/2000
	Adds	Deletes	Adds	Deletes	Adds	Deletes	Adds	Deletes	
FED		5.50							5.50
Wisconsin Technical College									
System									
GPR	82.05								82.05
PRO/PRS	39.40								39.40
Federal	12.00								12.00
	30.65								30.65
Workforce Development									
GPR	2,444.70								2,468.70
PRO/PRS	301.17								301.17
Federal	681.32		23.00						704.32
SEG	1,454.71		1.00						1,455.71
	7.50								7.50
TOTALS	65,346.58		53.41		0.00	33.68	-6.08	0.00	65,427.59
GPR	34,165.68		0.00		0.00	0.00	0.00	0.00	34,165.68
PRO/PRS	17,439.94		30.00		0.00	17.69	-5.77	0.00	17,481.86
Federal	8,268.36		23.41		0.00	7.18	0.00	0.00	8,298.95
SEG	5,472.60		0.00		0.00	8.81	-0.31	0.00	5,481.10

REPORT ON SURPLUS POSITIONS AUTHORIZED  
OCTOBER 1 TO DECEMBER 31, 2000

Agency	C Unclassified Service <u>Leaves</u>	D, E Medical, Education or Personal <u>Leaves</u>	A, B, I, X Double-filled <u>Positions</u>	<u>Reason for Double-fill</u>
Administration PR		+1.0		Leave of Absence
Agriculture PR			+2.0	Training
Commerce GPR		-1.0		Terminate Leave of Absence
Corrections GPR			+8.0	Sabbatical; Medical Leave
District Attorneys GPR PR	+1.0 +1.0			Leave of Absence Leave of Absence
Employee Trust Funds SEG			+3.0	Training
Health and Family Services GPR PR FED	+1.0		+4.0; -6.0 +1.0; -5.0 +4.0	
Justice GPR FED		-.25 +1.0; -1.75		Leave of Absence
Natural Resources SEG			+2.0	Training
Public Instruction				

REPORT ON SURPLUS POSITIONS AUTHORIZED  
OCTOBER 1 TO DECEMBER 31, 2000

Agency	C Unclassified Service Leaves	D, E Medical, Education or Personal Leaves	A, B, I, X Double-filled Positions	Reason for Double-fill
FED			+1.0	Training
Transportation SEG			+3.0	Sabbatical
Treasurer PR			-1.0	
Veteran's Affairs FED PR	+1.0			Leave of Absence
	+1.5			Leave of Absence
Workforce Development GPR FED	+1.0			Retirement training
	+1.5			Retirement training

Pool Code Types

- A= Understudy, 3 months or longer.
- B= Overlap replacement, less than 3 months for on-the-job training.
- C= Leave of absence replacement. Temporary hire during permanent employee's authorized leave to unclassified service.
- D= Leave-of-absence designation when permanent employee's authorized leave is less than 12 months.
- E= Leave-of-absence replacement. Temporary hire during permanent employee's authorized leave which is expected to last more than 12 months.
- I= Extended illness or worker's compensation (employee using accumulated sick leave or being paid through worker's compensation).
- X= DOA approved hire in anticipation of attrition (high turnover positions).

DEPARTMENT OF WORKFORCE DEVELOPMENT  
DEPARTMENT OF HEALTH AND FAMILY SERVICES

Transfer of TANF and Federal Child Care Funds for Child Care and Community Aids

Motion:

Move to approve the following actions:

1. Increase the amount of federal temporary assistance for needy families (TANF) and federal child care and development fund (CCDF) monies allocated to the direct child care program in the Department of Workforce Development (DWD) by \$35,475,100 in 2000-01. [\$34,241,800 from the revenue sources in the Governor's request and \$1,233,300 in untapped federal CCDF matching funds that were not included in the request.]
2. Transfer \$14,709,100 TANF from DWD to the Department of Health and Family Services (DHFS) in 2000-01 to reflect an increase in the federal allowable amount of TANF funds that can be used for social services block grant (SSBG) eligible activities.
3. Lapse \$13,713,800 GPR in 2000-01 to the general fund from the GPR community aids appropriation in DHFS.
4. Retain \$148,500 GPR in DHFS to fully fund the community aids county contracts while also correcting for the SSBG payment error from prior years.
5. Transfer \$846,800 GPR from DHFS to DWD for the direct child care program, to serve as the match required for the \$1,233,300 of federal CCDF matching funds.

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Note:

This motion would approve the Governor's request with the following modifications:

**Child Care Subsidies.** As under the Governor's request, \$36,321,900 would be provided for child care subsidies. The motion would access a portion of \$3,406,200 in federal CCDF matching



**13.10 Meeting**  
**April 24, 2001**  
**Agenda Item XVI**

**Issue:** Workforce Development and Health and Family Services. Transfer of TANF and Federal Child Care Funds for Child Care and Community Aids

**Comments:**

Gwen will have a motion that will replace all the alternatives offered, so you need to call on her first.

Basically, her motion will take \$1.45 million of the \$13.7 million that is to be transferred from DWD to DHFS and lapsed to the general fund and use it in conjunction with the \$846,800 GPR that the governor proposed to take from the GPR community aids appropriation and placed in DWD unallotted reserves for direct child care programs. This would give us a total of \$2.3 million in GPR that would leverage an additional \$3.4 million in FED to go towards the direct child care appropriation.

She's trying to sell this to Gard's office so it will sail through. They'll let Kelly know in the morning if they're on board.

Kelly claims that if this doesn't fly, Gwen's first inclination was to approve the governor's request. But now she may be leaning toward approving the child care portion of the request and denying the SSBG portion of the request.

**Staff Recommendation:** Gwen Motion. If that fails, approve the governor's request.

**Prepared by:** Cindy



## Legislative Fiscal Bureau

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

April 24, 2001

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development and Health and Family Services: Section 16.54/16.515/13.10  
Request Related to Transfer of TANF and Federal Child Care Funds for Child Care  
and Community Aids -- Agenda Item XVI

### REQUEST

On April 18, 2001, the Governor submitted a request to expend funds from the federal temporary assistance for needy families (TANF) block grant and the federal child care and development fund (CCDF) in 2000-01. The request provides funds to accomplish three purposes: (a) address a projected shortfall in the child care subsidy program in the Department of Workforce Development (DWD); (b) transfer additional TANF funds to the Department of Health and Family Services (DHFS) for use under the social services block grant (SSBG), as allowable under federal law, so that the GPR budgeted in DHFS for community aids will lapse to the general fund, as assumed under the Governor's 2001-03 budget; and (c) correct for errors made in past years regarding the amount of TANF transferred to DHFS for SSBG eligible activities.

The Governor's request would increase the amount of TANF and CCDF funds allocated to the direct child care program in 2000-01 by \$36,321,900, bringing the total child care allocation to \$237,180,100. In addition, the request would increase the amount of TANF funds transferred for SSBG purposes by \$14,709,100 to \$32,795,300. This transfer would free up \$14,709,100 GPR currently budgeted for community aids in DHFS that would then be used for three purposes: (a) lapse \$13,713,800 GPR to the general fund as assumed in the Governor's proposed 2001-03 budget; (b) provide \$148,500 GPR for current community aids contracts; and (c) transfer \$846,800 GPR to DWD to be placed in unallotted reserve for child care subsidies.

Under s. 16.54(2)(a)2. of the statutes, the Governor may not administer, and no state agency may encumber or expend, certain federal monies unless the Governor first notifies the Co-chairs of

the Joint Committee on Finance under a 14-day passive review process. The Co-chairs notified the Governor on April 23, 2001, that a meeting would be scheduled to address the request. In addition, the requests to transfer TANF funds to SSBG and to set up a GPR child care reserve require Committee action under s. 13.10.

## BACKGROUND

### Sources of Funds

The Governor recommends using several sources of funds to address the anticipated child care subsidy shortfall and to transfer additional TANF funds to SSBG. These funding sources and uses are summarized in the table below. As the table shows, several additional revenues have been identified that were not included in 1999 Wisconsin Act 9 (the 1999-01 biennial budget act). Each revenue source is discussed in more detail following the table. To date, none of the federal revenues identified below have been appropriated in DWD, except for \$5,176,500 associated with the earned income tax credit (EITC).

### Summary of Governor's Request Source and Use of CCDF and TANF Funds

<b>Federal Revenues</b>	<u>Amount</u>
High Performance Bonus	\$15,909,400
CCDF Discretionary Funds	8,324,700
TANF FFY 1996 Award	20,058,200
Earned Income Tax Credit	5,176,500
Immunization	827,100
W-2 Disallowances	586,600
Federal Repayment	<u>148,500</u>
Total	\$51,031,000
<b>Federal Expenditures</b>	
Child Care	\$36,321,900
Transfer to SSBG	<u>14,709,100</u>
Total	\$51,031,000

*TANF High Performance Bonus.* The TANF high performance bonus was awarded for the state's performance in three categories: (a) a high job retention and earnings gain rate; (b) an improvement in the job retention and earnings gain rate; and (c) an improvement in the job entry rate. Although the bonus was associated with the state's performance in federal fiscal year (FFY) 2000, the funds are available in FFY 2001. The Governor's proposal assumes that the entire award could be allocated in state fiscal year 2000-01.

*CCDF Discretionary Funds.* A total of \$11,805,100 in additional CCDF discretionary funds were awarded to the state as part of the FFY 2001 budget. Of this increase, \$705,600 was earmarked for certain child care quality improvement activities, leaving \$11,099,500 available for child care subsidies. The Governor's proposal assumes that three-fourths of this amount (\$8,324,700) would be available in state fiscal year 2000-01, since FFY 2001 includes the period from October 1, 2000, through September 30, 2001. The remaining one-fourth of the funds would be available in state fiscal year 2001-02.

*TANF FFY 1996 Award.* A total of \$20,058,200 in excess funds from the FFY 1996 TANF award have been identified. These funds were previously assumed by DWD to be unavailable because DWD received a higher than anticipated close-out payment for the old aid to families with dependent children (AFDC) program. DWD has received a verbal commitment from the U.S. Department of Health and Human Services that these funds are available and DWD has submitted paperwork to use these funds for basic assistance. This action frees up \$20,058,200 in other TANF funding.

*Earned Income Tax Credit.* The 2000-01 budget provided \$54,000,000 in TANF funding to pay for a portion of the state earned income tax credit. The Governor now projects that only \$48,823,500 will be needed, based on projections from the Department of Revenue, which results in a savings of \$5,176,500. [This amount is slightly larger than the amount that was used for the opening balance calculation for the 2001-03 budget.]

*Immunization.* The Governor's recommended 2001-03 biennial budget erroneously assumed the immunization education and outreach program in DHFS would expend \$2,827,100 TANF in the 1999-01 biennium, even though the program was only allocated \$2,000,000. By revising this expenditure assumption to match the program's allocation, savings of \$827,100 are available.

*W-2 Disallowed Costs.* DWD has received funds from several Wisconsin Works (W-2) agencies as repayment for disallowed costs. Maximus repaid \$485,200 and Employment Solutions Inc. repaid \$299,200. In March, 2001, the Joint Committee on Finance approved a request to spend \$197,800 of these funds to support kinship care payments to persons who had been on waiting lists. The remaining amount totals \$586,600 and could be used for other TANF-eligible purposes. Other W-2 agencies paid DWD back \$12,600 in disallowed costs, which is not reflected in the Governor's estimate.

*Federal Repayment.* The Legislative Audit Bureau recently found that the amount of TANF transferred to SSBG in state fiscal years 1997-98, 1998-99, and 1999-00 was incorrectly calculated, resulting in \$49,500 being overdrawn each year for a total of \$148,500 over the three-year period. To correct this error, \$148,500 less TANF would be transferred to DHFS than allowed for 2000-01.

### **Child Care Subsidy Program**

The direct child care program provides funds for: (a) child care subsidies through the Wisconsin Shares program; (b) local administration of Wisconsin Shares; (c) on-site child care at

job centers and counties; and (d) migrant child care. Base funding for direct child care is \$181,050,000. Due to higher than anticipated participation growth, the Joint Committee on Finance placed additional funds in unallotted reserve in July, 2000, bringing the amount currently available to \$200,858,200. Participation growth has continued to exceed estimated amounts and the Governor projects an additional funding need this fiscal year of \$36,321,900, bringing total projected expenditures to \$237,180,100 in 2000-01. The Governor's estimate is based on 2% monthly growth in participants for the remainder of the fiscal year and a 10% increase in the average cost per family over fiscal year 1999-00.

### **Social Services Block Grant**

*TANF/Social Services Block Grant Conversion.* The federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) reduced the maximum percentage of a state's TANF allocation that a state can use to fund SSBG eligible activities, from 10% in FFY 2000 to 4.25% in FFY 2001. However, the Consolidated Appropriations Act 2001 delayed this percentage reduction until FFY 2002. 1999 Wisconsin Act 9 assumed that the maximum transfer would be reduced to 4.25% effective in FFY 2001 and \$13,713,800 GPR was budgeted in Act 9 for community aids in state fiscal year 2000-01 to replace the anticipated \$13,713,800 loss in TANF funds. Now that the federal law has changed, the state can transfer the full 10% in 2000-01.

*TANF Base.* Receipt of the TANF high performance bonus in FFY 2001 increases the amount of TANF funding for the state in that fiscal year. According to federal officials, the state can calculate its SSBG transfer based on this higher grant amount. The Governor's proposal assumes, for purposes of calculating the SSBG transfer, that three-fourths of the high performance bonus funds are available in state fiscal year 2000-01 and one-fourth is available in 2001-02. This would allow a maximum TANF transfer of \$32,943,800 in 2000-01 and \$18,455,900 in 2001-02.

*Federal Repayment.* As discussed above, while the Legislative Audit Bureau was conducting its audit of the W-2 program, it was discovered that the incorrect base number has been used to determine the amount of TANF that could be transferred for SSBG purposes in state fiscal years 1997-98, 1998-99 and 1999-00, resulting in \$49,500 being overdrawn each year, for a total of \$148,500 over the three-year period. To correct this error, \$148,500 less TANF would be transferred to DHFS than allowed for 2000-01.

### **ANALYSIS**

There are two fundamental questions before the Committee. First, the Committee must decide whether it wants to fully fund the child care program for 2000-01. Second, the Committee needs to decide whether to maximize the amount of GPR or TANF funds that would be available to support expenditures in the 2001-03 biennium. Both of these issues are discussed in detail below.

## **Child Care Funding Need**

Demand for the Wisconsin Shares child care subsidy program has been rising since it began in September, 1997. The average monthly growth rate in the number of families in the program has been about 2.0% since the start of the program, resulting in an annual growth rate of approximately 26.8%. In March, 2001, there were 23,446 families participating in the program, representing 40,896 children. The Governor's projection of 2% monthly growth in participation for the remainder of the fiscal year appears reasonable, given both recent and historical growth rates. If the appropriated funds are not fully utilized by the end of the fiscal year, they will revert to the original appropriations and could be accessed next fiscal year for child care or other TANF uses. Based on the sources of funding identified by the Governor, there are sufficient funds available in 2000-01 to provide an additional \$36,321,900 to address the child care funding need.

If the Committee does not provide sufficient funding for the child care subsidy program, there would likely be insufficient funds to continue the program in May and June, 2001. Expenditures through March, 2001, total approximately \$177.9 million, including: (a) \$157.4 million for subsidies; (b) \$9.2 million for on-site child care, migrant child care and child care for foster parents in Milwaukee County; and (c) \$11.3 million for local administration. Costs for April, 2001, are expected to be about \$21 million, bringing year-to-date costs to nearly \$200 million. Since only \$200.9 million is currently available, the program would likely be out of funds by early May, 2001 and would have to cease operation if additional funds are not provided. Copayment changes could be made under current law, but there is not enough time to implement them in this fiscal year. The Committee may want to avoid halting the program for two reasons. First, affordability of child care is a pressing issue for many Wisconsin families and abruptly ending the program would have significant effects for thousands of low-income families currently participating in the program. Second, not fully funding child care would be contrary to the philosophy of the W-2 program of providing support services to families so that they can be employed.

### **Reconciling the Need for TANF versus General Purpose Revenues**

In deciding whether to transfer additional TANF funds to SSBG eligible activities in order to free up GPR currently budgeted for community aids, the Committee must reconcile two conflicting goals -- maximizing available GPR or TANF revenues. The alternatives presented in this paper allow the Committee to choose which of these goals to pursue, either completely or partially.

*Availability of TANF Funding.* For the current fiscal year, there is sufficient flexibility in the TANF program to make the changes proposed by the Governor. However, the action to transfer additional TANF to SSBG eligible activities would make the next TANF budget more difficult to balance in the 2001-03 biennium, given continued projected shortfalls in the child care subsidy program.

The Governor's biennial budget recommendations estimate that the ending balance of the TANF fund on June 30, 2001 (opening balance for the 2001-03 biennium) will be \$213.5 million, after accounting for the \$13.7 million transfer to SSBG in this request. At the end of the 2001-03

biennium (June 30, 2003), the Governor's budget projects a balance of \$0.6 million. Any change to budgeted TANF expenditures in the current fiscal year will affect the condition of the TANF fund for 2001-03. [This office is currently reviewing potential cost overruns and savings in the TANF program for 2000-01 and will present them to the Committee as a part of our analysis of the 2001-03 budget.] Likewise, demands for additional TANF expenditures in the 2001-03 biennium will be difficult to address without significant adjustments to the Governor's budget recommendations. In that regard, the Committee should note that it appears that the \$242.5 million that would be provided annually in the 2001-03 budget for the direct child care program will be insufficient to meet the demand for the program. The current program is estimated to be underfunded by approximately \$32.0 million in 2001-02 and \$63.1 million in 2002-03, for a total of \$95.1 million over the biennium. This projection is based on participation growth of 15% in 2001-02 and 10% in 2002-03. If the participant growth rate exceeds these projections, a greater amount could be needed during the biennium. To address the possibility of increased demand for the child care program, the Governor included a provision in the budget bill that would allow DWD to submit a plan to limit participation in the child care subsidy program to DOA for approval.

*Federal Repayment Requirement.* As discussed in the background section of this paper, DHFS has received an additional \$49,500 TANF annually over the last three state fiscal years for SSBG purposes. Since it is certain that DHFS will be required to pay these disallowances, the Committee should reduce the level of TANF transferred to DHFS for community aids in 2000-01 by \$148,500 to correct for this error. However, this course of action alone would reduce community aids funding by \$148,500 in 2000-01 from the amount budgeted in Act 9. Therefore, the Committee should also transfer \$148,500 TANF from DWD to DHFS (which is allowable due to the higher TANF base) to allow DHFS to fully fund the community aids county contracts. This approach has been incorporated into all of the alternatives presented in this paper. If the Committee decides not to approve the Governor's request, the federal allocation correction should be made now so that it need not be made as part of the Committee's 2001-03 biennial budget deliberations.

*SSBG Transfer Options.* The Governor's 2001-03 proposed budget assumes that \$13,713,800 GPR will lapse to the general fund from the community aids GPR appropriation in DHFS and this amount is included in the Governor's 2001-02 general fund opening balance. However, this action cannot occur without the Committee's approval. The net, closing general fund balance for 2001-03 under the Governor's budget is projected by the administration to be \$1.2 million. Thus, if the \$13.7 million GPR lapse does not occur, the Governor's general fund budget will need to be modified to bring it into balance. The Committee could approve the Governor's request, or part of the Governor's request, and transfer at least \$13,862,300 TANF from DWD to DHFS and lapse \$13,713,800 GPR to the general fund in order to keep the Governor's proposed budget in balance. The difference of \$148,500 PR would remain in DHFS to allow the Department to fully fund the community aids county contracts while adjusting for the federal repayment. If this action is not approved, then the general fund opening balance would be \$13,713,800 less than assumed in the Governor's budget.

The Committee could also choose to partially achieve both goals of maximizing TANF and GPR and convert 50% of the applicable TANF funds (\$7,354,600) to SSBG and lapse an equal

amount of GPR to the general fund from DHFS. These figures are calculated after the TANF base has been adjusted for the allocation error described above.

Under the Governor's request, \$14,709,100 TANF would be transferred from DWD to DHFS. Subsequently, \$13,713,800 GPR would lapse to the general fund, \$148,500 GPR would remain in DHFS to allow the Department to fully fund the community aids county contracts and the remaining \$846,800 GPR would be transferred to DWD to be placed in a child care reserve. The funds in this reserve that are not used by the end of 2000-01 would lapse to the general fund. These funds would only be needed for child care if the caseload growth for the remainder of the fiscal year exceeds 2% per month as projected. However, if growth does exceed projections, DWD would also have the option of administratively transferring funds available in 2000-01 from other TANF allocations, subject to DOA approval. Therefore, the Committee could modify the Governor's proposal by lapsing this \$846,800 GPR to the general fund, which would bring the total amount of lapsed GPR to \$14,560,600.

## **ALTERNATIVES**

### **Approve the Governor's Request**

1. Approve the Governor's request to: (a) increase the amount of TANF and CCDF funds allocated to the direct child care program by \$36,321,900 in 2000-01; (b) transfer \$14,709,100 TANF from DWD to DHFS in 2000-01 to reflect an increase in the federal allowable amount of TANF funds that can be used for SSBG eligible activities; (c) lapse \$13,713,800 GPR in 2000-01 to the general fund from the GPR community aids appropriation in DHFS; (d) retain \$148,500 GPR in DHFS to fully fund the community aids county contracts while also correcting for the SSBG payment error; and (e) transfer \$846,800 GPR in 2000-01 from the GPR community aids appropriation in DHFS to DWD and place these funds into unallotted reserve for the direct child care program.

### **Child Care Funding**

2. Adopt the portion of the Governor's request to increase the amount of TANF and CCDF funds allocated to the direct child care program by \$36,321,900 in 2000-01.

3. Deny the child care portion of the request.

### **TANF Transfer to SSBG Eligible Activities**

4. Choose one of the following alternatives relative to the transfer of TANF funds to SSBG eligible activities:

a. Approve the SSBG portion of the Governor's request. Transfer \$14,709,100 TANF in 2000-01 from DWD to DHFS and, in DHFS, reduce the GPR appropriation under community aids

by \$14,560,600, of which \$13,713,800 GPR would lapse to the general fund and \$846,800 GPR would be transferred to DWD and put into an unallotted reserve for child care. The \$148,500 difference between the TANF transfer and the GPR reduction would be retained in DHFS to fully fund the county contracts under community aids.

b. Transfer \$14,709,100 TANF from DWD to DHFS and, in DHFS, reduce the GPR appropriation under community aids by \$14,560,600, and lapse \$14,560,600 GPR to the general fund. The \$148,500 difference between the TANF transfer and the GPR reduction would be retained in DHFS to fully fund the community aids county contracts. This alternative is identical to the Governor's request except that it deletes the GPR funding for the child care reserve in DWD and instead lapses these monies to the general fund.

c. Transfer \$13,862,300 TANF from DWD to DHFS. Reduce the GPR appropriation in DHFS for community aids by \$13,713,800 GPR and lapse this amount to the general fund. The difference of \$148,500 TANF would be used by DHFS to fully fund the community aids county contracts. This alternative transfers \$846,800 less TANF from DWD to community aids in DHFS than under the Governor's request and does not establish a child care reserve in DWD. The \$846,800 in TANF would remain available for appropriation in the 2001-03 budget bill.

d. Reduce the amount of TANF transferred to DHFS from DWD under Act 9 in 2000-01 by \$148,500 PR. Transfer \$148,500 PR from DWD to DHFS to fully fund the community aids county contracts while correcting for the SSBG payment error from past years. This transfer is allowable because a higher TANF base is available for 2000-01. This alternative corrects for the federal repayment only and does not increase the amount of TANF transferred to SSBG eligible activities in DHFS, it does not lapse any GPR to the general fund and it does not transfer any GPR to an unallotted child care reserve in DWD.

e. Transfer 50% of the total conversion amount under the Governor's request, after adjusting for the federal repayment. Transfer \$7,354,600 TANF from DWD to DHFS for community aids. Reduce the GPR community aids appropriation by \$7,354,600 GPR and lapse this amount to the general fund. This alternative transfers \$7,354,500 less TANF from DWD to DHFS and \$7,354,500 less GPR from DHFS to the general fund than the Governor's request. In addition, it does not include a GPR transfer from the GPR community aids appropriation in DHFS to an unallotted child care reserve in DWD. The TANF that is not transferred to DHFS would remain available for appropriation for the 2001-03 budget bill.

5. Deny the SSBG portion of the request.

**Deny the Request**

6 Deny the entire request.

Prepared by: Yvonne Arsenault and Victoria Carreón

**13.10 Meeting**  
**April 24, 2001**  
**Agenda Item XV**

**Issue:** Health and family Services Funding for the Conditional and Supervised Release Program

**Comments:**

DHFS had anticipated lapsing \$1.2 million to the general fund from the appropriation that funds the costs of services provided under the conditional and supervised release programs. Consequently, this \$1.2 million was included in the estimated opening balance of the general fund in the 2001-02 budget.

However, due to higher than anticipated program costs, DHFS now finds they face a \$413,500 shortfall in this program and need to get these funds from the \$1.2 million they had planned on lapsing to the general fund.

DHFS sites 2 reasons for the short fall: 1) several individuals had particularly high service costs; and 2) they added 2 more regional contractors for these types of services to replace more costly individual providers, and these contractors had some start-up costs during their initial months of operation.

LFB points out that DHFS has little opportunity to control expenditures under this program. The only way it can control program costs is to provide the required services in a cost-effective manner. By expanding its use of regional contractors, DHFS is demonstrating their efforts to curtail costs.

DHFS can not use these funds for any other purpose, so it makes sense to honor this request.

**Staff Recommendation:** Alternative 1

**Prepared by:** Cindy



## Legislative Fiscal Bureau

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

April 24, 2001

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services: Section 13.10 Request to Transfer Funding for the Conditional and Supervised Release Programs -- Agenda Item XV

The Department of Health and Family Services (DHFS) requests that the Committee approve the transfer of \$413,500 GPR in 2000-01 from the appropriation for the general relief block grant program [20.435(4)(bt)] to the appropriation for conditional and supervised release treatment and services [20.435(7)(bj)].

### BACKGROUND

Under the *conditional release program*, DHFS contracts for community-based services for persons who have been found not guilty by reasons of mental disease or defect and either directly placed on conditional release by the court or conditionally released from the state's Mental Health Institutes. Based on estimates developed during the 1999-01 biennial budget deliberations, 1999 Wisconsin Act 9 provided \$3,550,300 GPR in 2000-01 to support services under the program, including: (a) contracts to provide oversight, case management and treatment services for persons on conditional relief (\$3,011,200); (b) supervision services provided by the Department of Corrections probation and parole agents for conditional release and supervised release (\$433,000); and (c) pharmacy costs for these clients (\$106,100). A portion of the costs of providing services to persons on conditional release is funded from third parties, such as medical assistance, and from income that program clients may have. The contracted agencies are required to pursue these third-party payments before billing DHFS for the cost of services.

Through March, 2001, an average of 242 clients per month received services in the 2000-01 fiscal year.

At the beginning of the 1999-00 fiscal year, DHFS had only four regional contracts (Dane County, WCS-Milwaukee, ACC-Fox Valley and LSS-Northern) for services under the conditional release program. During the 1999-00 fiscal year, DHFS began contracting with two additional regional contractors (LSS-Western and WCS-Southeast). Before it established regional contracts, DHFS contracted for services performed by individual providers in these areas. In 1998-99, the average monthly state cost of providing services through individual providers was \$1,815. By comparison, in 1998-99, the average monthly state cost of providing services to clients under the regional contracts was \$966.

The *supervised release program* serves individuals who have been committed as sexually violent persons under Chapter 980 of the statutes and who have been released by the court to community-based treatment under the supervision of DHFS. Currently, there are eight individuals on supervised release. In 2000-01, \$510,000 GPR is budgeted for this program. DHFS contracts with individual providers to support services for persons on supervised release.

Act 9 provided \$3,586,500 GPR in 1999-00 and \$4,060,300 GPR in 2000-01 to support both programs in a single biennial appropriation. Because this appropriation supports both programs, DHFS can fund unanticipated costs for one program from surplus funds budgeted for the other program. In addition, unanticipated costs in one year of the biennium can be funded with unspent funds budgeted in the other year of the biennium.

DHFS requests a transfer of \$413,500 GPR from the appropriation that supports county general relief block grants for counties other than Milwaukee County to fully fund the projected costs of services provided under the conditional and supervised release programs in 2000-01. In 2000-01, it is anticipated that approximately \$1,200,000 of this \$2,000,000 appropriation will lapse to the general fund. However, this lapse was anticipated in January, 2001, and has been incorporated into the estimated 2001-02 general fund opening balance of the Governor's 2001-03 budget. Consequently, if the Committee transfers funding from this appropriation to fund costs of the conditional and supervised release programs, the estimated opening balance of the general fund in 2001-02 would be reduced by the amount of the transfer.

## ANALYSIS

During the 1999-00 fiscal year, the costs of providing services under the conditional and supervised release programs totaled \$3,961,200, which was \$374,700 greater than the amount budgeted for these services in that year (\$3,586,500). The major factor contributing to the shortfall was that the actual average monthly cost of providing services to clients in the conditional release program (\$1,112) was higher than the amount assumed in the Act 9 budget projections (\$975). The actual average monthly caseload for the program (240 clients) in 1999-00 was slightly less than the Act 9 average monthly projections (245 clients).

To fund the shortfall in 1999-00, DHFS used a portion of the funding budgeted for the program in 2000-01. However, this reduced the amount of funding available in 2000-01 to support 2000-01 program costs. Consequently, although it is anticipated that, based on current caseload and average costs, expenditures in 2000-01 will not exceed the total Act 9 appropriation for the second year (\$4,060,300), because of the transfer, it is estimated that there will be a shortage of \$413,500 for 2000-01.

DHFS indicates that two factors contributed to higher costs in 1999-00. First, there were several individuals on supervised release that had particularly high service costs. Expenditures for the supervised release program totaled \$392,000 in 1999-00, which exceeded the budgeted amount of \$364,800 by \$27,200. The second factor cited by DHFS for the higher costs in 1999-00 is that higher costs occurred during the initial months of operation for the new regional contractors. In addition, the average cost per client for the established contractors also increased.

DHFS expects that costs in 2000-01 will moderate since: (1) the two new regional contractors have implemented less costly living arrangements for a number of clients; and (2) the number of persons on supervised release has declined as individuals placed on supervised release have failed in their placements and been returned to an institution.

The state has limited opportunities to control expenditures made under these programs. The state is responsible for providing services to persons on conditional and supervised release, and courts, rather than DHFS, determine whether a person is placed on conditional or supervised release. The average cost of providing services to persons who are on conditional release and supervised release is less than the average cost of providing institutional care to these individuals. The state's only way to control program costs is to provide the required services in a cost-effective manner. The Department has made efforts in this regard, as demonstrated by its expansion of the use of regional contractors for the conditional release program.

The Department's request for a transfer of \$413,500 is based on the projection that expenditures for 2000-01 will total \$3,929,700, which is slightly less than the actual expenditures incurred in 1999-00 (\$3,961,200). Although DHFS has indicated that costs will moderate due to efficiencies adopted by the new regional contractors and the lower number of supervised release clients, there are other factors that may increase costs. The number of conditional release clients are currently projected to increase slightly (2.2%) and the costs of services are likely to increase due to inflation. Overall, the Department's projection that costs will total \$3,929,700 in 2000-01 appears reasonable.

Since the appropriation to which DHFS requests a funding transfer only supports the conditional and supervised release programs, DHFS cannot use the funds for any other purposes. DHFS will likely encumber funds at the end of this fiscal year to fund bills that it will receive after June 30 for services provided in 2000-01. Since the exact amount of these bills will not be known, the amount DHFS will encumber may not equal the amounts required to pay bills received after June 30, 2001.

If the amount DHFS encumbers at the end of the current fiscal year is less than the amount necessary to pay bills received after June 30, 2001, for services provided before that date, DHFS would have to use funds from the 2001-02 appropriation to fund the remaining costs of services provided in 2000-01. The use of 2001-02 funds to pay these costs would leave less funding for costs incurred in 2001-02, and increase the likelihood that there would be a funding shortfall at the end of the next biennium. Since the appropriation is a biennial appropriation, any shortfalls can be spread over a two-year period. The Governor's biennial budget recommendation does not include any increase in funding for 2001-02, but does include a \$572,400 GPR increase in 2002-03 to: (a) lease a transitional 10-bed housing facility in southern Wisconsin for sexually violent persons on supervised release (\$482,400 GPR); and (b) fund projected increases in the cost of providing services to persons on conditional and supervised release (\$90,000 GPR, representing a 2.2% increase).

Because the conditional and supervised release programs have been operating on an accrual basis, it is possible to obtain one-time savings by moving to a cash-basis system so that DHFS would not encumber funds for bills that arrive after the end of the fiscal year for services provided in that fiscal year. Instead, the current year appropriation would fund the costs of bills for services provided in the previous year that DHFS receives after June 30. This is similar to the way in which the medical assistance program is funded.

Consequently, if the Committee denies the DHFS request, DHFS would be required to operate the program on a cash basis, rather than an accrual basis, on an ongoing basis. Under this alternative, some costs for services provided in 2000-01 would be funded from the 2001-02 appropriation and funding for the program would be based on cash payments, rather than incurred costs.

As noted earlier, the general relief block grant program is projected to lapse \$1,200,000 GPR in 2000-01, and so, the requested transfer of \$413,500 could be supported from this appropriation. However, the Governor's biennial budget anticipated such a lapse and built the anticipated lapse into the projected opening balance for 2001-02. As a result, a transfer from the general relief block grant program would reduce the projected opening balance for 2001-02 by an equal amount.

**ALTERNATIVES**

1. Approve the Department's request to transfer \$413,500 in 2000-01 from the appropriation for the general relief block grant program (20.435(4)(bt)) to the appropriation for conditional and supervised release treatment and services (20.435(7)(bj)).

2. Deny the request.

Prepared by: Richard Megna

MO#	BURKE	DECKER	MOORE	SHIBILSKI	PLACHE	WIRCH	DARLING	WELCH	GARD	KAUFERT	ALBERS	DUFF	WARD	HUEBSCH	HUBER	RILEY	
	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
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AYE 16 NO 0 ABS 0



State of Wisconsin  
**Department of Health and Family Services**

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Scott McCallum, Governor  
Phyllis J. Dubé, Secretary

June 20, 2001

The Honorable Brian Burke  
Senate Co-Chair, Joint Committee on Finance  
Room 316 S, State Capitol  
Madison, WI 53702

The Honorable John Gard  
Assembly Co-Chair, Joint Committee on Finance  
Room 315 N, State Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Summary of Request

The Department of Health and Family Services requests a transfer of \$679,900 GPR to s. 20.435(3)(dd), the State Foster Care and Adoption Assistance appropriation, from the following sources: \$247,000 from s.20.435(5)(e), Public Health Dispensaries and Drugs, \$125,000 from appropriation s. 20.435(2)(bm), Secure Mental Health Units or Facilities, and \$307,900 from appropriation s. 20.435(5)(am), Services, Reimbursements and Payment Related to Acquired Immunodeficiency Syndrome. The funds are needed to make payments for out-of-home care and adoption assistance for special needs children, as required by s. 48.975.

Background

The state foster care and adoption services program provides funding for adoption assistance payments and payments for out-of-home care for special needs children who have been freed for adoption as a result of termination of parental rights (TPRs). Special needs children are defined as children for whom it is difficult to find an adoptive home because of factors such as age, being a member of a sibling group that must be placed together, being a member of a minority race for whom placement resources are not available, or special emotional, behavioral or physical and personal needs.

The Department is responsible for special needs children for whom parental rights have been terminated. After termination of parental rights (TPR) and while awaiting adoption, the children are under the state's guardianship and the Department pays their out-of-home placement costs. The Department is also responsible for the special needs adoption assistance payments to the adoptive family once the child is adopted. The Department,

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through its own staff and its private contract partners, arrange adoptions for these children.

There are three primary components to the State Foster Care and Adoption Assistance Program:

1. Out-of-Home Placements

After TPR and while awaiting adoption, children are placed in out-of-home placements. Placements are made primarily in family foster care. Child Caring Institutions are used in a relatively small number of cases and group homes are used infrequently. Funding for FY 01 foster payments was provided in the 1999-01 biennial budget based on an estimated monthly foster care caseload of 490 children. Caseload data for the first nine months of FY 01 indicates the actual foster care caseload will be consistent with the budget estimate.

2. One-Time-Expenses

The second component of the program is funding for one-time adoption expenses such as attorney's fees and court costs. Funding for one-time expenses represent a very small portion of the overall foster care and adoption assistance budget (\$132,000 all funds in FY 01 out of a total program budget of \$43,810,500).

3. Adoption Assistance

The third and largest component of the program is adoption assistance payments. Adoption assistance for special needs children is administered by the Department for all counties. By administrative rule, adoption assistance payments are based on the basic uniform foster care rates which are specified in statute (Chapter 48). In addition to these payments for basic maintenance, the Department makes additional payments for special needs which are based on each child's individual needs, including the difficulty of care levels specified in rule, and the circumstances of the adoptive family.

Funding for FY 01 adoption assistance payments was provided in the 1999-01 biennial budget based on an estimated monthly adoption assistance caseload of 4,466 children. For the first nine months of FY 01, the average monthly adoption assistance caseload was 4,635 children.

It appears that this higher than anticipated adoption assistance caseload can be attributed to at least two factors. The first is the increase in the number of special needs children under the Department's guardianship that has resulted from the federal Adoption and Safe Families Act (ASFA). The Act requires states to file a TPR petition for all children who have been in out-of-home placements for 15 of the past 22 months. The Department and its contract partners have achieved a high adoptive placement rate for these children, moving them from the out-of-

home care caseload to the adoption assistance caseload. During the first five months of FY 01, the Department and its vendor partners successfully completed an average of 36 adoptions per month (includes adoptions in all counties except Milwaukee). This is an increase of 7 adoptions per month over the FY 00 average of 29 adoptions per month. The growth in the number of adoptions is expected to continue through the next biennium as the Department and its vendor partners find adoptive homes for the remaining influx of ASFA-related cases. The second factor contributing to the increase in the adoption assistance caseload is that children are being adopted at an earlier age and, consequently, are remaining in the adoption assistance caseload for a longer period.

#### Projected Expenditures for FY 01

The Department has re-estimated FY 01 expenditures for this program based on (1) actual expenditures through June 13, 2001, and (2) estimated expenditures for the remaining 17 days in the fiscal year. The projection of remaining FY 01 expenses is based on prior experience with the program. The entire re-estimate is summarized in the attached chart. Based on this methodology, an increase of \$679,900 GPR is needed over the level budgeted for FY 01. In a separate request under s. 16.54, the Department will request increased federal expenditure authority of \$1,220,400 FED in appropriation s. 20.435(3)(pd) from the Department of Administration for the additional federal funds needed for this program.

The source of the GPR funding would be a transfer of funds from three appropriations where there is projected FY 01 underspending: \$247,000 from s. 20.435(5)(e), Public Health Dispensaries and Drugs, \$125,000 from appropriation s. 20.435 (2)(bm), Secure Mental Health Units or Facilities, and \$307,900 from appropriation s. 20.435(5)(am), Services, Reimbursements and Payment Related to Acquired Immunodeficiency Syndrome. The underspending in s. 20.435(5)(e) is due to slower than anticipated start-up of dispensary counties for the tuberculosis vaccine. The specific source of underspending in appropriation s. 20.435(2)(bm) is the budget for the new Sand Ridge Secure Treatment Center. The Sand Ridge underspending is a result of delays in hiring some staff for the new facility. The underspending in s.20.435(5)(am) is due to a higher than anticipated level of federal funds being available to offset the costs of the AIDS/HIV program. Because the underspending for all three appropriations was unanticipated, and due to caseload trends and other developments that could not have been foreseen, this underspending has not been included in the FY 01 opening balance in the General Fund condition statement that is the basis for the 01-03 biennial budget.

#### Statutory Criteria

This request meets the statutory criteria of s. 13.101(3)(a) of being an "unforeseen emergency." In the absence of the transfer of these funds, it is projected that there would be insufficient funding for the program. The result would be that some foster care and/or adoptive parents would not receive the monthly payments which the Department is

June 19, 2001

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statutorily required to provide. The increase in cases could not have been precisely calculated at the time the 1999-01 biennial budget was approved in October 1999.

The Joint Finance Committee has approved funding transfers to the State Foster Care and Adoption Assistance program under the 13.10 statutory criteria in the past, including most recently in February 1997.

Susan Dreyfus, Administrator for the Division of Children and Family Services, will represent the Department at the 13.10 meeting for this issue.

Sincerely,

A handwritten signature in cursive script, reading "Phyllis J. Dubé".

Phyllis J. Dubé  
Secretary

Attachment

<b>REQUEST FOR ADDITIONAL FOSTER CARE / ADOPTION ASSISTANCE FUNDS</b>				
		<u>AF</u>	<u>FED</u>	<u>GPR</u>
Fiscal Year to Date Expenditures (Jul 00 - May 01)		\$ 45,570,833	\$ 22,265,846	\$ 23,304,987
	Foster Care	\$ 6,349,976	\$ 2,145,443	\$ 4,204,533
	Adoption Assistance (Including One-Time Adoption Expenses)	\$ 39,220,857	\$ 20,120,403	\$ 19,100,454
Anticipated Expenditures for the remainder of FY 2001 (Jun 14 - 30, 2001)		\$ 140,000	\$ 70,000	\$ 70,000
	Foster Care	\$ 60,000	\$ 30,000	\$ 30,000
	Adoption Assistance (Including One-Time Adoption Expenses)	\$ 80,000	\$ 40,000	\$ 40,000
Anticipated Total Expenditures for FY 2001		\$ 45,710,833	\$ 22,335,846	\$ 23,374,987
	Foster Care	\$ 6,409,976	\$ 2,175,443	\$ 4,234,533
	Adoption Assistance (Including One-Time Adoption Expenses)	\$ 39,300,857	\$ 20,160,403	\$ 19,140,454
FY 2001 Budget for Special Needs Foster Care & Adoption		\$ 43,810,500	\$ 21,115,400	\$ 22,695,100
<b>Request for additional expenditure authority in FY 2001</b>		\$ 1,900,333	\$ 1,220,446	\$ 679,887

I. Department of Health and Family Services – Susan Dreyfus, Administrator, Division of Children and Family Services

The department requests the transfer of \$125,000 GPR in fiscal year 2000-01 from the department's secure mental health units or facilities under s. 20.435(2)(bm), the transfer of \$307,900 GPR in fiscal year 2000-01 from the department's services, reimburse and payment related to acquired immunodeficiency syndrome appropriation under s. 20.435(5)(am), and the transfer of \$247,000 GPR in fiscal year 2000-01 from the department's public health dispensaries and drugs appropriation under s. 20.435(5)(e) to the department's state foster care and adoption services appropriation under s. 20.435(3)(dd) for out-of-home placement costs and adoption assistance payments. The total amount of the requested transfer to s. 20.435(3)(dd) is \$679,900 GPR.

Governor's Recommendation

Approve the request.



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT McCALLUM**  
GOVERNOR

**GEORGE LIGHTBOURN**  
SECRETARY

Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
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Fax (608) 267-3842  
TTY (608) 267-9629

**Date:** June 29, 2001

**To:** Members, Joint Committee on Finance

**From:** George Lightbourn, Secretary  
Department of Administration

**Subject:** Section 13.10 Request from the Department of Health and Family Services  
for the Foster Care and Adoption Assistance Program

**Request**

The department requests the transfer of \$125,000 GPR in fiscal year 2000-01 from the department's secure mental health units or facilities under s. 20.435(2)(bm), the transfer of \$307,900 GPR in fiscal year 2000-01 from the department's services, reimburse and payment related to acquired immunodeficiency syndrome appropriation under s. 20.435(5)(am), and the transfer of \$247,000 GPR in fiscal year 2000-01 from the department's public health dispensaries and drugs appropriation under s. 20.435(5)(e) to the department's state foster care and adoption services appropriation under s. 20.435(3)(dd) for out-of-home placement costs and adoption assistance payments. The total amount of the requested transfer to s. 20.435(3)(dd) is \$679,900 GPR.

**Background**

The state foster care and adoption program funds out-of-home placement (foster homes, group homes and Child Caring Institutions (CCI)) costs for special needs children under state guardianship who are awaiting adoption and payments to parents who have adopted special needs children. 1999 Wisconsin Act 27 provided \$22,695,100 GPR and \$21,115,400 FED in fiscal year 2000-01 for the program.

**Analysis**

Expenditures for out-of-home placement costs through June 13, 2001 were \$4,204,500 GPR (\$6,327,900 AF), which was 24 percent higher than was budgeted in Act 9. The higher costs were caused by the monthly cost per child in foster care

Members, Joint Committee on Finance

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being 3.3 percent higher than budgeted and more children in CCIs, which is a costly placement facility. Higher foster care costs and more children in CCIs are occurring since the department is receiving children with more difficult needs. Through June 13, 2001, adoption assistance expenses were \$19,100,500 (\$39,220,900 AF), which was one percent higher than budgeted. The higher expenses were driven by more children being adopted than was estimated in Act 9.

The department projects GPR surpluses in: (a) the public health dispensaries and drugs appropriation (\$247,000 GPR) due to a slow startup of dispensary counties for tuberculosis; (b) the secure mental health units or facilities appropriation (\$125,000 GPR) resulting from delays in hiring staff at Sand Ridge Secure Treatment center; and (c) the services, reimbursement and payment related to acquired immunodeficiency syndrome appropriation (\$307,900 GPR) due to a higher level of federal funds available to offset GPR costs. The department requests that these funds be used for the additional out-of-home placement and adoption assistance costs.

The foster care and adoption program costs and been reestimated upward for fiscal year 2001-02 and fiscal year 2002-03 with sufficient funding being provided.

**Recommendation**

Approve the request.

Prepared by: Gretchen A. Fossum  
266-2288