



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #426

### **Milwaukee Child Welfare Aids and Operations (DHFS -- Children and Families)**

[LFB 2005-07 Budget Summary: Page 288, #2 (Part)]

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#### **CURRENT LAW**

Since January 1, 1998, the Department of Health and Family Services (DHFS) has administered child welfare services in Milwaukee County.

*Aids.* In 2004-05, DHFS is budgeted \$91,016,400 (\$39,584,800 GPR, \$17,887,600 FED, and \$33,544,000 PR) to fund aid payments and contracts for child welfare services to children and families in Milwaukee County. Federal support for these services is provided primarily from matching funds the state receives under Title IV-E of the Social Security Act, and substance abuse prevention and treatment block grant funds. Program revenue includes contributions from Milwaukee County (in the form of reductions in state aid payments that Milwaukee County would otherwise receive), other collections, medical assistance funds the state is able to claim for certain case management services, and temporary assistance for needy families (TANF) funds transferred from DWD.

DHFS uses these funds to support: (a) placement costs for children in out-of-home care; (b) payments to vendors that provide case management services for children in out-of-home, ongoing services that enable children and families to achieve goals identified in permanency plans, and other services; and (c) services that enable children who are at risk of an out-of-home placement to remain safely in their home ("safety services").

*Operations.* In 2004-05, DHFS is budgeted \$21,850,000 (\$13,310,600 GPR, \$6,223,700 FED, and \$2,315,700 PR) to support state operations costs for the Bureau of Milwaukee Child Welfare (BMCW). The funding includes federal Title IV-E funds and TANF funds transferred from DWD (PR). These amounts include funding that supports the Wisconsin statewide automated child welfare information system (WISACWIS) in Milwaukee County, 164 state

positions, and related supplies and services costs. The state positions include case workers, supervisors, and support staff for the intake and assessment units, as well as management staff for BMCW.

## **GOVERNOR**

*Aids.* Reduce funding by \$7,919,300 (-\$6,784,800 GPR, -984,500 FED, and -\$150,000 PR) in 2005-06 and by \$6,672,200 (-\$5,484,200 GPR, -\$1,038,000 FED, and -\$150,000 PR) in 2006-07 to reflect the following changes: (a) a reestimate of the amount of Title IV-E that the state can claim (-\$481,200 GPR and \$481,200 FED in 2005-06 and -\$422,900 GPR and \$422,900 FED in 2006-07); (b) projected decreases in out-of-home care placement costs (-\$5,271,000 GPR and -\$1,459,000 FED in 2005-06 and -\$5,282,500 GPR and -\$1,447,400 FED in 2006-07); (c) funding to support costs of contracted services (-\$1,182,600 GPR and -\$6,700 FED in 2005-06 and \$71,200 GPR and -\$13,500 FED in 2006-07); and (d) reestimates of third-party collections (\$150,000 GPR and -\$150,000 PR annually).

*Operations.* Reduce funding by \$3,506,700 (-\$2,798,600 GPR, -\$587,000 FED, and -\$121,100 PR) in 2005-06 and by \$3,459,400 (-\$2,761,300 GPR, -\$577,000 FED, and -\$121,100 PR) in 2006-07 to support the administration of the child welfare program in Milwaukee County. In addition, convert 16.24 GPR positions, beginning in 2005-06, to FED positions to reflect projected changes in the Title IV-E claiming rate for Milwaukee County.

## **DISCUSSION POINTS**

### **BMCW Aids**

1. It is currently estimated that placement, service, and contract costs for children in out-of-home care in Milwaukee County will total \$75,428,200 (\$58,745,000 GPR and \$15,193,600 FED) in 2005-06 and \$75,428,200 (\$58,789,400 GPR and \$15,149,200 FED) in 2006-07. This estimate does not include funding for safety services or the child abuse and neglect prevention grant, which are addressed in budget papers #860 and #861, respectively. This estimate differs from the administration's estimate due to updated caseload and expenditures data and revised estimates of the amount of federal matching funds available as reimbursement for certain costs. Funding in the bill could be increased by \$5,600 (\$132,200 GPR and -\$126,600 FED) in 2005-06 and reduced by \$9,400 (\$108,100 GPR and -\$117,500 FED) in 2006-07 to fully fund these projected costs.

2. This reestimate also does not include funding for an "incentive payment" that is included in the Department's current case management contracts. Currently, each vendor is "allocated" an amount of funding to support out-of-home care placement costs (payments to foster homes, treatment foster homes, group homes, residential care centers for children and youth, assessment homes and centers, and Wraparound Milwaukee costs) for a calendar year. If the agency's actual out-of-home care placement costs are less than the agency's allocation, the contract provides for an incentive payment equal to the agency's underspending, up to 2% of an agency's original allocation.

3. In calendar year 2004, the cost for out-of-home care placements was \$8,841,200 (all funds) less than the amounts budgeted to support these costs (\$43.0 million). As a result, DHFS awarded contracted vendors a total of \$859,600 in incentive payments. The calendar year 2005 out-of-home care placement allocations are based on the amount of funding budgeted in 2004-05, since budgeted funding was known for only the first half of calendar year 2005. (Costs for the period of July 1, 2005, through December 31, 2005, are funded from the 2005-06 appropriation.) Funding that would be provided for placement costs in 2005-06, under the current estimate, is \$6.7 million less than the 2004-05 base funding budget that supports these costs, primarily because the number of children in out-of-home care has decreased since the time the 2004-05 budget was established in 2003 Wisconsin Act 33 (the 2003-05 biennial budget act). Therefore, the expenditure target provided to the agencies in their calendar year 2005 contracts is based on the higher, 2004-05 funding amount and does not reflect the actual decrease in caseloads.

4. The reestimate of placement costs effectively decreases the agencies' expenditure targets for out-of-home care costs. The administration argues that funding should be provided in 2005-06 to support the incentive payment equal to 2% of the original calendar year 2005 allocations (based on 2004-05 funding), instead of the reestimated funding level. If the Committee agrees with this argument, it could retain \$426,900 (\$313,000 GPR and \$113,900 FED) in 2005-06 for the incentive payment. If this methodology is chosen, funding would need to be provided in the first year of every future biennium in which the placement cost reestimate is lower than the amounts budgeted in the last year of the previous biennium.

5. Even if funding for incentive payments is not explicitly budgeted in 2005-06, agencies would still have the opportunity to earn the incentive payment. However, the targeted expenditure level under which the agencies could earn an incentive payment would reflect the amounts budgeted under the reestimate, which is based on caseload projections that incorporate the changes in caseloads over the past biennium.

6. The administration intends to use adoption incentive funds from federal fiscal year 2002-03 to reduce the amount of GPR funding needed in 2005-06 for aids costs. While the bill reduces GPR funding for aids costs, the bill does not provide the corresponding increase in federal funding. To reflect these funds, the Committee could increase funding in the bill by \$1,232,000 FED in 2005-06, which would authorize DHFS to use these federal funds to support projected 2005-06 costs.

### **BMCW Operations**

7. The bill includes funding to support: (a) the Wisconsin statewide automated child welfare information system (WISACWIS) in Milwaukee (-\$16,300 GPR, \$91,800 FED, and -\$75,600 PR annually); (b) Milwaukee's share of the masterlease payments for the implementation costs of WISACWIS, based on revised masterlease amounts (-\$619,400 GPR and -\$1,061,500 FED annually); (c) reestimates of infrastructure costs related to the Bureau's computer systems (-\$1,072,400 GPR, -\$829,100 FED, and -\$45,500 PR annually); (d) a reestimate of the amount of federal Title IV-E that the state can claim (-\$1,276,000 GPR and \$1,276,100 FED annually); and (e) increased rent costs (\$185,500 GPR and -\$64,300 FED in 2005-06 and \$222,800 GPR and -\$54,300

FED in 2006-07). A review of the funding that would be budgeted for these purposes suggest that no adjustments should be made to these figures, with the exception of the amount of funding that would be budgeted for ongoing staff training.

8. In AB 100, \$503,000 GPR annually is budgeted for ongoing staff training. To correctly reflect the amount of federal Title IV-E funding that the state could claim to support these costs, GPR funding in the bill could be reduced by \$286,700 and the amount of federal funding could be increased by a corresponding amount.

**Summary**

9. In summary, without the additional funding for the incentive payment, the funding in the bill could be increased by \$1,237,600 (-\$154,500 GPR and \$1,392,100 FED) in 2005-06 and reduced by \$9,400 (-\$178,600 GPR and \$169,200 FED) in 2006-07 to reflect current estimates of costs, caseloads, and available federal revenues to support projected costs. If the Committee were to retain the funding for the incentive payment in 2005-06, the funding in the bill would be increased by \$1,664,500 (\$158,500 GPR and \$1,506,000 FED) in 2005-06 and reduced by \$9,400 (\$178,600 GPR and \$169,200 FED) in 2006-07.

**ALTERNATIVES**

1. Modify the Governor's recommendation to increase funding by \$1,237,600 (-\$154,500 GPR and \$1,392,100 FED) in 2005-06 and reduce funding by \$9,400 (-\$178,600 GPR and \$169,200 FED) in 2006-07 to reflect revised estimates of costs to provide child welfare services in BMCW in the 2005-07 biennium. This alternative would not retain funding for calendar year 2005 incentive payments based on the amounts budgeted in 2004-05 for out-of-home care. Instead, any incentive payments for calendar year 2005 would be based on the reestimated out-of-home placement costs.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$333,100	\$1,561,300	\$1,228,200

2. Modify the Governor's recommendation by increasing funding by \$1,664,500 (\$158,500 GPR and \$1,506,000 FED) in 2005-06 and reducing funding by \$9,400 (-\$178,600 GPR and \$169,200 FED) in 2006-07 to reflect revised estimates of state costs for services in BMCW. This alternative would retain funding for calendar year 2005 incentive payments, based on the amounts budgeted in 2004-05 for out-of-home care.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$20,100	\$1,675,200	\$1,655,100

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