



Legislative Fiscal Bureau

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

June 30, 2009

TO: Members,
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Children and Families: Section 13.10 Request for Use of Federal Economic Stimulus Funding for Foster Care and Adoption Assistance and to Transfer Funds to Support Out-of-Home Placements of Children in Milwaukee County -- Agenda Item VIII

REQUEST

Federal Economic Stimulus Funds. The Department of Children and Families (DCF) requests approval for use of funds under the federal American Recovery and Reinvestment Act of 2009 (ARRA) related to the provision that increases the federal medical assistance percentage (FMAP), which is the federal share of medical assistance and other programs, by 6.2% for the period October 1, 2008, through June 30, 2009, as follows: (a) \$1,845,900 FED in the appropriation that supports state-funded foster care and adoption assistance payments [s. 20.437(1)(pd)]; and (b) \$1,381,900 FED in the appropriation that supports payments to individuals and agencies that provide child welfare services in Milwaukee County [s. 20.437(1)(mx)].

Transfer Funds Between Appropriations. In addition, DCF requests a transfer of \$4,214,200 GPR from the appropriation that supports state-funded foster care and adoption assistance payments [s. 20.437(1)(dd)] to the appropriation that supports payments to individuals and agencies that provide child welfare services in Milwaukee County [s. 20.437(1)(cx)].

BACKGROUND

Federal ARRA. Under current law, the state may be reimbursed for costs related to certain child welfare activities under Title IV-E of the federal Social Security Act. Maintenance payments intended to cover the costs of food, shelter, clothing, daily supervision, child care, school supplies, general incidentals, liability insurance for the child, and reasonable travel to the child's home for visits are reimbursed at the state's FMAP rate for eligible children. In addition, adoption assistance payments to assist in the cost of care of a child are eligible for reimbursement at the state's FMAP

rate for eligible children.

The federal ARRA allows eligible expenses under Title IV-E for foster care and adoption assistance to be matched at the higher FMAP rate for the period from October 1, 2008, through December 31, 2010. Without applying the ARRA FMAP increase, Wisconsin's FMAP rate is approximately 59%. As a result, the administration estimates that the state will receive federal ARRA funding of \$3,227,800 in 2008-09, \$6,511,800 in 2009-10, and \$4,950,000 in 2010-11. The \$3,227,800 in 2008-09 is part of this request. The funding in 2009-10 and 2010-11 is budgeted in the 2009-11 biennial budget bill.

Bureau of Milwaukee Child Welfare. DCF's Bureau of Milwaukee Child Welfare (BMCW) administers child welfare services in Milwaukee County. Children and families that reside in all other counties of the state receive child welfare services through county human services and social services departments. However, in response to a 1993 lawsuit filed by the American Civil Liberties Union's Children's Rights Project (now Children's Rights, Inc.), the state began providing child welfare services in Milwaukee County on January 1, 1998.

BMCW contracts with private vendors to provide many of the services children and families receive, including case management services, ongoing services (services provided to children in out-of-home care that are intended to assist children and their families in achieving goals identified in permanency plans), out-of-home foster care and adoption placement services, independent investigations, permanency planning reviews, and court services. Funding for these contracted services is budgeted in the same appropriations DCF uses to pay families and facilities that serve children in out-of-home care.

The costs of some services, including payments to foster parents and facilities that provide out-of-home care, are partially supported with federal matching funds the state receives under Title IV-E. In addition, the costs of some services, including safety services (services available to families where threats to children have been identified, but the BMCW assessment unit has determined that the children can remain at home safely) and prevention services are supported with temporary assistance for needy families (TANF) funds.

State-Funded Foster Care and Adoption Assistance. The state serves as guardian for children with special needs following termination of parental rights. The state pays the costs of out-of-home placements for these children while they await adoption and makes adoption assistance payments to families who adopt children with special needs. Special needs children are defined as children for whom it is difficult to find an adoptive home because they are older, are members of a sibling group that must be placed together, are members of a minority race for whom placement resources are not available, or have special emotional, behavioral, or physical and personal needs.

The appropriations that support state-funded foster care and adoption assistance make payments in counties other than Milwaukee County. Funding for foster care payments DCF makes on behalf of children with special needs in Milwaukee County is budgeted in BMCW. The costs of

these services are supported with GPR and federal matching funds the state receives under Title IV-E. Funding budgeted for these payments in 2008-09 is \$96,880,500 (\$50,181,800 GPR and \$46,698,700 FED).

ANALYSIS

DCF Report on 2008-09 BMCW Estimated Shortfall. On June 24, 2008, the Committee approved a request under s. 13.10 to transfer \$2,138,000 GPR from state-funded foster care and adoption assistance payments to BMCW for payments to individuals and agencies that provide child welfare services in Milwaukee County to partially address a shortfall for BMCW in 2007-08. Another shortfall was anticipated for BMCW in 2008-09. Therefore, the Committee required DCF to submit a report by September 1, 2008, that: (a) compared funding budgeted in 2007 Wisconsin Act 20 (the 2007-09 biennial budget act) to support BMCW out-of-home care costs and contract costs with projected costs for these services in 2008-09; and (b) indicated how BMCW would administer the program in 2008-09 within the funding amounts budgeted in Act 20 for the program in 2008-09. Finally, the Committee specified that if DCF needed to transfer funding from other appropriations within the Department, then DCF must submit a s. 13.10 request to the Committee.

On September 2, 2008, DCF submitted its report to the Committee. DCF identified an anticipated shortfall of \$10,772,100 in 2008-09. DCF explained that the deficit resulted from two primary factors: (a) more children have been placed in more costly care settings than assumed under Act 20; and (b) costs per case for children in group homes and residential care centers are higher due to a significant increase in provider rates compared to Act 20.

According to the report, Act 20 assumed a distribution of out-of-home care placements as follows: (a) 70% in family foster care; (b) 20% in treatment foster care, group homes, and residential care centers; and (c) 10% in other placements, such as the Milwaukee Wraparound program. However, in June, 2008, the distribution was: (a) 51% in family foster care; (b) 33% in treatment foster care, group homes, and residential care centers; and (c) 16% in other placements. The placement of more children in higher levels of care (treatment foster care, group homes, and residential care centers) costs more because these types of care are significantly more expensive than family foster care.

In addition, DCF does not establish monthly rates group homes or residential care centers receive for caring for children. Instead, these facilities establish their own rates, but cannot charge BMCW higher rates than they charge other agencies that place children. In the report, DCF indicated that the provider rates were much higher than anticipated under Act 20 because more expensive specialized services were needed for children placed in out-of-home care and the overall costs of care increased.

In the report, DCF identified the following options for addressing the anticipated \$10.8 million deficit in 2008-09: (a) underspending in state foster care and adoption assistance; (b) utilizing the unallocated balance in Milwaukee child welfare collections, which consist of revenue

from child support, supplemental security income (SSI), and Social Security Administration survivor and disability payments for children in out-of-home care, which are collected and retained by the state to offset the cost of providing out-of-home care to those children; and (c) reducing service contracts. Based on spending in state foster care and adoption assistance at the time the report was submitted, DCF estimated underspending of \$3,200,000 GPR in state foster care and adoption assistance. In addition, DCF anticipated an unallocated cash balance from Milwaukee child welfare collections of \$3,400,000. DCF indicated that these funds (totaling \$6,600,000) could be transferred to BMCW to partially offset the anticipated deficit.

However, DCF recommended that the BMCW contracts not be reduced to address the shortfall. DCF reasoned that decreases to these contracts could jeopardize the safety, permanence, and well-being of children in Milwaukee County by reducing services provided to families and foster parents. DCF indicated that delays in achieving permanency for children could result in longer stays in out-of-home care and negatively impact the well-being of children, which could lead to higher costs in other areas of the BMCW budget and possibly increase costs for other service systems, such as education, health care, and law enforcement.

The report concluded that DCF would submit a s. 13.10 request, or other legislative action, later in 2008-09 to address the out-of-home care deficit if needed.

Comparison to 2007 Act 20. Table 1 shows the amounts budgeted for out-of-home care services, services for families served by BMCW, and contracted services in 2008-09 under Act 20.

TABLE 1**BMCW Out-of-Home Care Services, Services to Families, and Contracts
2007 Act 20 Budgeted Amounts**

<u>Placement or Services</u>	<u>Average Number of Children</u>	<u>Average Monthly Cost per Child</u>	<u>Total Cost*</u>	<u>GPR</u>	<u>FED</u>
Family Foster Care	1,457	\$495	\$8,658,200	\$6,421,200	\$2,237,000
Treatment Foster Care	298	2,597	9,295,500	6,893,900	2,401,600
Residential Care Centers	33	7,518	2,999,600	2,593,800	405,800
Group Homes	88	4,477	4,714,100	4,076,200	637,900
Subsidized Guardianship	129	557	863,200	640,100	223,100
Assessment Homes and Centers	<u>79</u>	3,467	<u>3,284,600</u>	<u>3,284,600</u>	<u>0</u>
Subtotal	2,084		\$29,815,200	\$23,909,800	\$5,905,400
Act 20 Foster Care Rate Increase			\$628,200	\$468,100	\$160,100
Total for Placement Services			\$30,443,400	\$24,377,900	\$6,065,500
<u>Placement or Services</u>	<u>Average Number of Children</u>	<u>Average Monthly Cost per Child</u>	<u>Total Cost*</u>	<u>GPR</u>	<u>FED</u>
Safety Services	360	\$1,205	\$5,205,000	\$0	\$5,205,000
Wraparound Services	<u>216</u>	3,991	<u>10,344,600</u>	<u>9,399,300</u>	<u>945,300</u>
Total Services for Families	576		\$15,549,600	\$9,399,300	\$6,150,300
Contracts			\$41,658,500	\$33,052,500	\$8,606,000
Grand Total			\$87,651,500	\$66,829,700	\$20,821,800

* Numbers may not add due to rounding.

Table 1 shows that, of the total GPR funding budgeted in Act 20 for these services (\$66.8 million): (a) \$24.4 million, or 36.5%, is budgeted to pay foster care families and facilities for care they provide to children who have been removed from their homes, including temporary placements where children's needs are assessed; (b) \$9.4 million, or 14.1%, is budgeted for Wraparound Milwaukee, which offers services to families with a child who has serious emotional or mental health needs; and (c) \$33.0 million, or 49.4%, is budgeted to fund other contracted services purchased by BMCW. Attachment 1 to this paper lists the amounts budgeted in Act 20 for each of these contracted services in 2008-09.

Based on more recent data through May, 2009, DCF estimates that GPR-funded payments

for out-of-home care services provided in 2008-09, excluding payments for assessment and stabilization services, will total \$33,012,200, or \$11,918,900 GPR more than the amount budgeted for these costs in Act 20 (\$21,093,300 GPR). This figure can be derived from Table 1 by subtracting out the GPR total for assessment homes and centers (\$3,284,600) from the GPR total for placement services (\$24,377,900). After taking into consideration projected surpluses in the amount of funding budgeted for assessment and stabilization services and Wraparound services, the projected shortfall for these out-of-home placement services is projected to be \$10,474,800 in 2008-09 as shown in Table 2.

TABLE 2

**Estimated GPR Shortfall for Out-of-Home Care Costs and Services
Fiscal Year 2008-09**

	<u>Act 20 Budgeted</u>	<u>Current Projection</u>	<u>Difference</u>
Out of Home Care	\$21,093,300	\$33,012,200	\$11,918,900
Assessment and Stabilization	3,284,600	2,528,700	-755,900
Wraparound Services	<u>9,399,300</u>	<u>8,711,100</u>	<u>-688,200</u>
Total	\$33,777,200	\$44,252,000	\$10,474,800
Estimated Shortfall			\$10,474,800

The percentage of the total number of children in out-of-home care who were in high-cost homes and facilities has continued to increase during 2008-09. In May, 2009, the distribution of out-of-home care placements was: (a) 46% in family foster homes; (b) 36% in treatment foster homes, group homes, and residential care facilities; and (c) 18% in other placements, including the Wraparound program. As noted above, in June, 2008, the distribution was: (a) 51% in family foster care; (b) 33% in treatment foster care, group homes, and residential care centers; and (c) 16% in other placements. As indicated in Table 1, the average monthly cost for treatment foster homes, group homes, and residential care centers is far greater than the average monthly cost for family foster care.

Reasons for the shift to more expensive out-of-home care placements may include the following: (a) children that require out-of-home care increasingly have greater needs; (b) due to improvements in assessment methods, additional care needs have been discovered; (c) recent increases in the number of foster families who have adopted children in their care may have resulted in these families no longer accepting foster children; (d) improved enforcement of requirements foster families must meet may have resulted in some foster families who could not demonstrate compliance with requirements to discontinue their licenses; and (e) some foster families may find greater financial rewards of providing foster care by obtaining licensure as a

treatment foster home, rather than a family foster home.

In addition, the Act 20 estimates regarding average monthly costs for high-cost out-of-home care placements were lower than the actual average costs in 2008-09, as shown in Table 3.

TABLE 3
Comparison of Average Monthly Cost of Out-of-Home Placements
Act 20 and 2008-09 (through March)

	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
Family Foster Care	\$495	\$562	\$67
Treatment Foster Care	2,597	3,056	459
Residential Care Center	7,518	8,848	1,330
Group Home	4,477	6,876	2,399

As noted above, DCF does not establish the monthly rates facilities receive for caring for children. Instead, facilities establish these rates, but cannot charge BMCW higher rates than they charge other agencies that place children. DCF indicates that overall costs of care have increased. In addition, the higher rates reflect more specialized services needed for children placed in out-of-home care, and more specialized services are generally more expensive.

DCF Proposal to Address the Shortfall. To address this projected shortfall (\$10,474,800), DCF intends to use: (a) \$3,000,000 GPR budgeted under AB 75 (the 2009-11 biennial budget bill) in 2008-09 for BMCW; (b) \$1,878,700 PR from the unallocated balance of Milwaukee child welfare collections; (c) \$1,381,900 GPR in BMCW, which is available due to the additional federal funds under the ARRA; and (d) \$4,214,200 GPR from state-funded foster care and adoption assistance payments, which consists of underspending of \$2,368,300 GPR and an additional \$1,845,900 GPR made available due to the additional federal funds under the ARRA.

CONCLUSION

DCF's proposal would address the 2008-09 shortfall and maintain funding provided for contracted services at the Act 20 budgeted levels. Also, no additional GPR is being requested. Rather, DCF uses the federal ARRA funds, funds budgeted under AB 75, unallocated Milwaukee child welfare collections, and GPR transferred from within the Department. Finally, it may be unrealistic to require DCF to prepare an alternative plan to address the 2008-09 BMCW shortfall, since the 2008-09 fiscal year ends June 30, 2009. Therefore, the Committee may wish to approve the DCF request.

Prepared by: Kim Swissdorf
Attachment

ATTACHMENT

**Bureau of Milwaukee Child Welfare
2008-09 Funding for Annual Service Contracts**

<u>Service</u>	<u>GPR</u>	<u>FED Title IV-E</u>	<u>FED TANF</u>	<u>Total</u>
Case Management	\$14,509,400	\$3,687,800	\$0	\$18,197,200
Ongoing Services	8,368,700	0	426,300	8,795,000
Out-of-Home Placement Unit	4,195,600	1,104,400	0	5,300,000
Foster Care Training	437,800	115,200	0	553,000
Foster Care Recruitment	197,900	52,100	0	250,000
Adoption Unit	1,753,800	1,350,200	0	3,104,000
Adoption Recruitment	141,200	108,800	0	250,000
Family Intervention and Support	220,400	0	0	220,400
Independent Investigations	280,000	0	0	280,000
Prevention Services	0	0	1,489,600	1,489,600
Termination of Parental Rights	217,000	167,100	0	384,100
Permanency Planning Reviews	614,700	0	0	614,700
Psychiatric Evaluations	133,400	0	0	133,400
Mentors	296,900	78,100	0	375,000
Kinship Payment Unit	315,400	0	0	315,400
Trust Fund Acct. Unit	100,100	26,400	0	126,500
EDS Children's Hospital	30,000	0	0	30,000
Adoption Search	50,000	0	0	50,000
Domestic Violence Services	365,000	0	0	365,000
UWM MSW Program	222,400	0	0	222,400
Milwaukee DA IV-E Supplement	233,600	0	0	233,600
Training Partnership IV-E Supplement	<u>369,200</u>	<u>0</u>	<u>0</u>	<u>369,200</u>
Total	\$33,052,500	\$6,690,100	\$1,915,900	\$41,658,500