



## Legislative Fiscal Bureau

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December 14, 2010

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Expenditure Plan for Income Augmentation Funds -- Agenda Item VII

On October 4, 2010, the Joint Committee on Finance received a proposal from the Department of Administration (DOA) to allocate income augmentation funds pursuant to ss. 46.46(2) and 48.567(2) of the statutes. Income augmentation funds are federal funds the state claims as a result of several initiatives the Department of Health Services (DHS) has implemented in recent years to maximize funding available to states under several federal programs. Currently, all income augmentation revenue the state receives is based on claims DHS submits under the medical assistance (MA) program.

Under the current proposal, the administration identified a total of \$38,386,800 in federal income augmentation funds, including \$33,677,100 that DHS collected and reconciled for 2009-10 and \$4,709,700 of unexpended funds available from previously approved plans. On October 22, the Committee's Co-Chairs notified the DOA Secretary that the allocation of \$18,064,500 of these funds was approved, but that the Committee wished to meet to consider the administration's recommendation to lapse \$20,322,300 to the general fund to partially meet lapse requirements enacted as part of 2009 Acts 2 and 28.

The table on the following page identifies the items the Committee has approved, pursuant to the Co-Chairs' October 22 letter, and the remaining funds on which the Committee has yet to take action.

## 2010 Income Augmentation Plan

	<u>Amount</u>
Income Augmentation Revenues Available	\$38,386,800
Approved Items	
Prior Commitments and Costs of Securing Income Augmentation Revenue	
Transfer to MA Trust Fund	\$7,359,500
State Agency Costs Associated with Income Augmentation Claims	1,102,200
Costs Associated with Claiming MA-Eligible HealthCheck Services	457,300
Payments to Contracted Firms that Assist the State in Claiming Federal Funds	381,800
New Items Recommended by the Administration	
Fund Foster Care Deficit for Calendar Year 2009	4,096,900
Increase Funding in DCF to Support the State's Child Welfare Data System	3,840,200
Program Improvements for DCF Division of Safety and Permanance	<u>826,600</u>
Subtotal -- Approved Items	\$18,064,500
Balance	\$20,322,300

The statutes specify that all moneys credited to the DHS federal income augmentation appropriations that are not allocated for specific purposes, as provided under s. 46.46 of the statutes (which includes purposes specified in a plan approved by the Joint Committee on Finance) must be deposited to the general fund as a non-appropriated receipt. Consequently, if the Committee fails to approve an alternative use of the \$20,322,300 of unallocated funds, these funds will be deposited to the general fund.

### ANALYSIS

The Department of Administration requests that the Committee approve the lapse of all of the available income augmentation funds that have not been committed for other purposes (\$20,322,300) to the general fund to partially meet lapse requirements of Acts 2 and 28. These acts require the DOA Secretary, by July 1, 2011, to lapse or transfer approximately \$641.8 million, from unencumbered balances of appropriations to executive branch agencies, other than sum sufficient and federal appropriations. In 2009-10, the administration lapsed approximately \$299.9 million from appropriations for executive branch agencies, so that an additional \$341.9 million is needed to meet the total biennial lapse requirement.

Under the administration's request, the \$20.3 million would be used to offset lapses/transfers of the Departments of Health Services and Children and Families. Thus, the remaining lapse/transfer requirement would be reduced from \$341.9 million to \$321.6 million.

By approving the lapse of these funds, the Committee would assist the administration in

meeting the statutorily-required lapse requirements. Alternatively, if the Committee modifies the administration's request by authorizing the expenditure of these funds or by lapsing them to the general fund, DOA would be required to identify other appropriations from which to satisfy the Acts 2 and 28 lapse/transfer requirement.

The Committee may also wish to consider allocating the uncommitted balance of these income augmentation funds to support the medical assistance (MA) program, which is projected to have a deficit in 2009-11.

It is currently estimated that the GPR appropriation for MA benefits will be insufficient by approximately \$148 million for the 2009-11 biennium. To address this shortfall, DHS intends to seek approval to apply an estimated surplus in the SeniorCare program appropriation of \$20 million to MA. DHS also intends to seek approval to delay certain MA capitation payments that would otherwise be paid to managed care organizations in May, 2011, to the 2011-12 fiscal year, thereby reducing the 2009-11 shortfall by an additional \$44 million GPR. With respect to the remaining projected GPR deficit of \$84 million, the Department is exploring a number of alternatives, including seeking additional federal matching funds. DHS expects to revise its estimate of the current projected shortfall later this month.

The current estimate of the MA shortfall assumes that DHS will be able to realize all of the projected savings from initiatives DHS has implemented in the current biennium to reduce program costs, which DHS refers to as the Forward Health Rate Reform Project. The Department's success in realizing the Forward Health Rate Reform Project savings target of approximately \$200 million GPR in the 2009-11 biennium will affect this projected shortfall, as will ongoing enrollment and expenditure trends.

It appears that there are three options available to the Committee.

First, the administration's request could be approved. Under this option, the \$20.3 million would be used to offset lapses/transfers of the Departments of Health Services and Children and Families. Thus, the remaining lapse/transfer requirement would be reduced from \$341.9 million to \$321.6 million. (Alt. #1)

Second, the Committee could direct that the \$20.3 million transfer directly to the general fund. This would mean that it could not be applied against the \$341.9 million lapse/transfer requirement. Consequently, the general fund balance for 2010-11 would be improved by \$20.3 million. (Alt. #2)

Third, the Committee could use the \$20.3 million to partially address the projected deficit in the medical assistance program. (Alt. #3)

## **ALTERNATIVES**

1. Approve the administration's proposal to lapse \$20,322,300 of federal income augmentation revenues to the general fund in 2010-11 to partially satisfy Act 2 and Act 28 lapse requirements relating to executive agency appropriations.
2. Lapse \$20,322,300 of federal income augmentation revenues to the general fund in 2010-11, and specify that this lapse would not be counted to partially satisfy Act 2 and Act 28 lapse/transfer requirements.
3. Allocate \$20,322,300 of federal income augmentation funds in 2010-11 to partially address the projected shortfall in the GPR MA benefits appropriation.

Prepared by: Charles Morgan