



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #510

Child Welfare Quality Assurance (DHFS -- Children and Families)

[LFB 2001-03 Budget Summary: Page 392, #12]

CURRENT LAW

In July, 2000, DOA approved 1.0 FED project position and \$184,600 FED in one-time funding that DHFS would expend in 2000-01 and 2001-02 to create a child welfare quality assurance program in the Department of Health and Family Services (DHFS), Bureau of Programs and Policies, in response to federal regulations under which the state will be reviewed to determine the state's compliance with national child welfare standards. The project position expires January 31, 2002.

Under the program, DHFS would determine which national standards the state is most at risk of failing and identify the counties and tribes where performance levels are lagging. The funding authorized for the program in the 2000-01 fiscal year (\$184,600) was intended to be funded with federal indirect funds (\$97,300) and funds provided under Title IV-E of the Social Security Act (\$87,300).

GOVERNOR

Provide \$21,600 FED in 2001-02 and \$51,800 FED in 2002-03 to extend 1.0 project position that is scheduled to terminate on January 31, 2002, to January 31, 2004, to continue the child welfare quality assurance program in the 2001-03 biennium. The position would be supported with federal indirect funds (\$13,400 in 2001-02 and \$32,100 in 2002-03) and Title IV-E funds (\$8,200 in 2001-02 and \$19,700 in 2002-03).

DISCUSSION POINTS

New Federal Requirements

1. In January, 2000, the U.S. Department of Health and Human Services (DHHS) introduced new child welfare regulations to improve outcomes for abused and neglected children, children in foster care and children awaiting adoption. These regulations hold states accountable for services to at-risk children with results-oriented, child and family services reviews. The DHHS Administration on Children and Families (ACF) has begun assessing states for compliance with federal requirements for child protective services, foster care, adoption and family preservation and support services identified under Titles IV-B and IV-E of the Social Security Act.

2. The on-going reviews cover two areas: (a) outcomes for children and families in terms of safety, permanency and child and family well-being; and (b) the administration of state programs that directly affect the capacity to deliver services leading to improved outcomes. States must comply with a set of national standards, which include six statewide data indicators: (a) recurrence of maltreatment; (b) incidence of child abuse and/or neglect in the home; (c) foster care re-entries; (d) length of time to achieve reunification; (e) length of time to achieve adoption; and (f) stability of foster care placement.

3. The review includes: (a) a self-assessment where state officials analyze and explain overall state performance in meeting the national standards; and (b) an onsite review where a joint team of state and federal officials visit three counties to measure local performance in areas identified in the self-assessment as needing improvement. A state is determined to be in compliance with the federal regulations based on the combination of information provided through these two parts of the review. Wisconsin's onsite review is scheduled in federal fiscal year 2001-02.

4. States found in nonconformity with one or more of these standards must implement corrective action plans and may have their federal IV-E and IV-B funding reduced. For each standard where the state is found in nonconformity, the state will be required to develop and implement a federally-approved improvement plan. If a state remains in non-conformity after completing a program improvement plan, DHHS will withhold a percentage of the state's Title IV-B and IV-E funding. Specifically, for each standard where the state remains in nonconformity after the second full review, DHHS will withhold 1% of a specified IV-B/IV-E funding pool. The percentage withheld increases to 2% per standard if the state remains in nonconformity after its third full review and 3% after its fourth review.

The funding pool contains all of the state's IV-B revenue and 10% of the state's federal claims for IV-E foster care administrative costs. DHFS estimates that Wisconsin's funding pool is approximately \$15 million. Therefore, depending on the review, \$150,000 to \$450,000 annually would be subject to withholding, for each nonconforming standard.

DHFS Position and Funding

5. DOA approved \$184,600 FED in July, 2000 to fund a child welfare quality assurance program that included: (a) the project position that the Governor recommends be extended as part of the 2001-03 budget (\$59,600 FED); (b) the development of a self-assessment tool that counties would use to analyze the strengths and weaknesses of their local child welfare programs in comparison to the national standards (\$35,000 FED); and (c) contracts with the UW-Madison, the UW-River Falls and the UW-Green Bay to provide a full-time staff person for onsite consultation with counties following their self-assessments and state reviews (\$90,000). DHFS estimates that the annual ongoing costs of the child welfare quality assurance program will be \$279,200 (\$133,200 GPR and \$146,000 FED). However, the Governor's bill only includes funding to extend the project position.

6. To date, DHFS has not filled the project position that DOA approved in July, 2000. However, DHFS has a list of eligible candidates to interview. Hiring has been delayed because DHFS has been designing the county review process and the coordination of the county and state review. Of the funds approved by DOA in July, 2000, \$125,000 (all funds) has been expended or committed and \$59,566 (all funds) for the position has not been expended or committed.

7. This position would identify areas where counties are at risk of being found in noncompliance and provide training and technical assistance to bring them into compliance. In addition, this position would: (a) develop and implement a statewide quality assurance program for child welfare services delivered by county and tribal child welfare agencies to ensure effective delivery of child welfare services to children and families and the achievement of program performance standards by local agencies; (b) review federal and state program requirements for quality assurance implications and make recommendations for implementation of program requirements to improve local agency service delivery and the achievement of program performance standards; and (c) manage processes for conducting on-site reviews of local agency programs, including determining the schedule and priorities for on-site reviews, to evaluate the effectiveness of local child welfare service delivery and local achievement of program performance standards.

8. The project position is currently scheduled to terminate on January 31, 2002. The Governor recommended that the project position be extended, rather than converted to a permanent position, to ensure that the need for the position could be reviewed as part of the 2003-05 budget deliberations. At that time, additional information will be available on the state's compliance with the federal regulations and the role the position played in assisting counties in meeting the federal benchmarks. Further, DHFS requested that the position be extended, rather than converted to a permanent position, based on the administration's desire to minimize increases in the number of permanent positions in the Governor's budget.

9. However, the upcoming state review will not be an isolated event. Instead, state reviews will continue every two or five years, depending on whether or not the state is found in conformity with all of the standards. Further, the Committee may determine that the state should

provide additional assistance on an ongoing basis to ensure that counties meet national child welfare standards, notwithstanding the threat of federal sanctions. For these reasons, the Committee could modify the Governor's recommendation by converting the project position to a permanent position.

Federal Indirect Funding Deficit

10. The Governor intended for this position to be partially funded with federal indirect funds as a match to Title IV-E funds. Federal indirect funds are the portion of federal grant awards that DHFS uses for administrative and management purposes. Because there are no federal restrictions on how they may be used, they can be viewed as equivalent to GPR. In the past, DHFS has used this source of funding to support costs for which funding had not been specifically budgeted. For example, DHFS funds the costs of audits conducted by the Legislative Audit Bureau from this source. In addition, DHFS has used funding budgeted from this source to support a portion of the Department's information technology infrastructure costs that could not be supported by other DHFS programs and divisions.

11. However, projected federal indirect revenues are insufficient to support expenditures budgeted from this source in the Governor's bill, including a portion of the costs of extending the project position. Under the bill, budgeted expenditures in 2001-02 (\$2,307,100 in 2002-03) would exceed projected available revenues (\$1,766,300, including \$1,316,300 in projected 2001-02 revenues and a projected \$450,000 in unallocated funds carried over from 2000-01) by \$540,800. In 2002-03, budgeted expenditures (\$2,020,600) would exceed projected revenues (\$1,453,500) by \$567,100. Consequently, this appropriation will have a projected deficit of \$1,107,900 in the 2001-03 biennium unless funding in the bill is reduced by this amount.

This projected deficit can be addressed by decreasing funding budgeted in this appropriation for internal data processing charges (-\$700,000 in 2001-02 and -\$362,800) and supplies and services (-\$22,600 in 2001-02 and -\$22,500 in 2002-03). As a result, DHFS would not be able to use these funds to support information technology infrastructure costs that would otherwise be funded from other DHFS divisions, as the agency has been able to do in the past.

12. Regardless of the Committee's decision regarding the project position for the child welfare quality assurance function, the Committee should reduce the DHFS federal indirect appropriation to address the projected deficit. If the Committee decides not to fund the project position, the Committee should reduce funding in the appropriation by \$709,200 in 2001-02 and \$353,200 in 2002-03 to address the projected deficit. This difference in the amount of the reduction reflects the cost savings of deleting the position extension recommended by the Governor.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$21,600 FED in 2002-03 and \$51,800 FED in 2002-03 to extend the current 1.0 project position to January 31, 2004. In addition, reduce funding by \$722,600 FED in 2001-02 and \$385,300 FED in 2002-03 to address the projected deficit in the federal indirect appropriation.

<u>Alternative 1</u>	<u>FED</u>
2001-03 FUNDING (Change to Bill)	- \$1,107,900

2. Modify the Governor's recommendation by converting the position to a permanent position. In addition, reduce funding for indirect federal costs by \$722,600 FED in 2001-02 and \$385,300 FED in 2002-03 to address the projected deficit in the federal indirect appropriation.

<u>Alternative 2</u>	<u>FED</u>
2001-03 FUNDING (Change to Bill)	- \$1,107,900

3. Delete the Governor's recommendation relating to the quality assurance position by reducing funding in the bill by \$21,600 FED in 2001-02 and \$51,800 FED in 2002-03 and by deleting 1.0 FED project position, beginning in 2001-02. In addition, reduce funding for indirect federal costs by \$709,200 FED in 2001-02 and \$353,200 FED in 2002-03 to address the projected deficit in the in federal indirect appropriation.

<u>Alternative 3</u>	<u>FED</u>
2001-03 FUNDING (Change to Bill)	- \$1,135,800
2002-03 POSITIONS (Change to Bill)	- 1.00

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