



## Legislative Fiscal Bureau

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

---

May 20, 2003

Joint Committee on Finance

Paper #852

### *Temporary Assistance for Needy Families (TANF)*

### **Caretaker Supplement Administration (DHFS -- Community Aids and Supportive Living)**

[LFB 2003-05 Budget Summary: Page 265, #4]

---

#### **CURRENT LAW**

The caretaker supplement is a cash benefit the Department of Health and Family Services (DHFS) pays to supplemental security income (SSI) recipients who have dependent children. The benefit is \$250 per month for the first dependent child and \$150 per month for each additional child. This benefit is a flat-rate benefit and is not affected by the amount of income an SSI recipient receives. The payments are supported with temporary assistance for needy families (TANF) funds.

As of December, 2002, 5,695 SSI recipients were receiving a caretaker supplement payment on behalf of their 11,861 children.

County income maintenance (IM) workers use the client assistance for re-employment and economic support (CARES) computer system to determine applicants' eligibility for caretaker supplement payments. Base TANF funding for caretaker supplement administration costs is \$138,000.

#### **GOVERNOR**

Provide \$506,600 annually in TANF funds to support increased costs of administering the caretaker supplement program.

## DISCUSSION POINTS

1. Before January, 2002, children for whom caretaker supplement payments were made were identified as children in certain medical assistance (MA) categories that were similar to caretaker supplement eligibility criteria. This process had many limitations. For example, there was no application for the caretaker supplement benefit and no direct way for SSI recipients to apply for the benefit; parents whose children became eligible for MA under certain eligibility categories would just begin receiving caretaker supplement benefit checks and parents who did not seek MA coverage for their children could not qualify for caretaker supplement benefits. In addition, state law specifies that to be eligible for a caretaker supplement benefit, a child must meet the eligibility criteria that applies to the former aid to families with dependent children (AFDC) program. Under the former caretaker supplement eligibility system, the MA eligibility standard was used as a proxy, but was not identical to the AFDC eligibility standards. Finally, it was difficult to track children who were grandfathered into the current caretaker supplement program from the previous AFDC program, because DHFS was unable to redetermine these children's eligibility for the benefit.

2. In January, 2002, DHFS established the caretaker supplement as a distinct program in CARES, with a separate eligibility determination process. Now that county workers are using CARES to determine eligibility for the caretaker supplement and to maintain information on cases, the information maintained on these cases is more accurate and complete. Also, including the caretaker supplement in CARES allows for a more formal process of notifying recipients of changes in their benefits and CARES will automatically update the recipient's other public assistance cases in CARES as appropriate to include the caretaker supplement payment in household income. Finally, caretaker supplement recipients are now required to meet with county workers every six months, instead of every year under MA eligibility rules, to update information on the child's age, where he or she lives, and other information.

3. This change increased DHFS' costs of administering the caretaker supplement program. Because no funding was budgeted in the 2001-03 biennial budget act to support these increased costs, DHFS has reallocated funding from other TANF-supported programs on a one-time basis in the current biennium to support these higher administrative costs. Consequently, the base funding for the administration of the caretaker supplement is less than the estimated ongoing administrative costs of the program.

4. Under federal cost allocation rules, the CARES administration costs and the income maintenance (IM) contracts must be allocated across all participating programs. Therefore, DHFS must allocate a portion of the CARES administration costs and the income maintenance contracts to the caretaker supplement program. DHFS contracts with counties to perform income maintenance activities, which include eligibility determination and management for state and federal programs, such as MA and food stamps.

5. The state costs of administering CARES are distributed among the programs in the

system based on relative caseload of each program, as required under federal cost allocation rules. Therefore, while the total state costs of CARES does not change with the addition of the caretaker supplement, the distribution of the costs changes to allocate a portion of the total costs to the caretaker supplement program. In addition, there are some costs directly allocated to each program for ongoing programming needs related on to the specific program. It is estimated that \$538,500 TANF in 2003-04 and \$531,700 TANF in 2004-05 would be needed to support costs associated with CARES administration.

6. The same federal cost allocation rules apply to the IM contracts so that total IM contract costs are allocated to each program based on each program's relative caseload. With the inclusion of the caretaker supplement, a portion of the total costs of the IM contracts must be allocated to the caretaker supplement. Again, the total amount of the contract was not changed with the addition of the caretaker supplement, but the allocation of costs among the participating programs did change. IM contract costs are supported with both state and federal funds. However, under the caretaker supplement, matching federal funds are not available, and thus the federal portion of these costs would need to be supported with TANF funds. It is estimated that \$401,300 TANF funds in 2003-04 and \$386,100 TANF in 2004-05 are needed to support these costs.

7. Finally, some additional administrative costs associated with the caretaker supplement are not supported with base funding. These include training of IM workers on CARES for caretaker supplement eligibility and internal DHFS costs. The total estimated cost for these activities is \$66,000 TANF annually.

8. The estimated total administrative costs that must be supported by TANF are \$1,115,600 in 2003-04 and \$1,093,600 in 2004-05. (These amounts also include \$109,800 TANF annually to partially support SSI and caretaker supplement benefits administration costs, which includes contract costs for EDS, postage, administrative hearings, and non-salary costs associated with the staff position in DHFS.) The DHFS base funding level includes \$138,000 TANF to support these costs. Consequently, an additional \$977,600 TANF in 2003-04 and \$955,600 TANF in 2004-05 is needed to support the estimated administrative costs of the caretaker supplement program. Because the bill would increase funding by \$506,600 TANF annually over the 2003-05 biennium, an additional \$471,000 TANF in 2003-04 and \$449,000 TANF in 2004-05 would be needed, in addition to the funding increase recommended by the Governor, to fully fund these estimated costs.

9. The administration indicates that the funding increase that would be provided in the bill does not reflect the administration's estimate of the amount of funding needed to fully support the projected costs of administering the caretaker supplement in the 2003-05 biennium. If the Committee approves the Governor's recommended funding increase, DHFS would be required to support the remaining administrative costs by reallocating funding budgeted for other TANF-supported programs to support the costs of administering the caretaker supplement program if funding from these programs were available due to underspending. These programs could include kinship care, safety services, or caretaker supplement benefits, or any other TANF-funded program in the Department of Workforce Development.

10. Under the bill, funding for caretaker supplement administrative costs are budgeted in two appropriations. However, in 2004-05, \$15,200 is budgeted in a local assistance appropriation in the Division of Health Care Financing but it should have been budgeted in an appropriation for the Division of Supportive Living. The Committee could transfer \$15,200 from the Division of Health Care Financing to the Division of Supportive Living to budget these funds in the correct appropriation.

**ALTERNATIVES**

1. Approve the Governor's recommendation to provide \$506,600 TANF annually to support increased costs of administering the caretaker supplement. In addition, transfer \$15,200 in 2004-05 from the Division of Health Care Financing to the Division of Supportive Living to budget these funds in the correct appropriation.

2. Increase funding in the bill by \$471,000 TANF in 2003-04 and by \$449,000 TANF in 2004-05 for the administration of the caretaker supplement. In addition, transfer \$15,200 in 2004-05 from the Division of Health Care Financing to the Division of Supportive Living to budget these funds in the correct appropriation.

<b><u>Alternative 2 – DHFS</u></b>	<b><u>PR</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	\$920,000

<b><u>Alternative 2 - DWD</u></b>	<b><u>FED</u></b>
<b>2003-05 FUNDING</b> (Change to Bill)	\$920,000

Prepared by: Yvonne M. Onsager