



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #429

Milwaukee Child Welfare (DHFS -- Children and Families)

Bill Section

[LFB 2007-09 Budget Summary: Page 316, #2]

CURRENT LAW

The Department of Health and Family Services (DHFS) administers child welfare services in Milwaukee County through the Bureau of Milwaukee Child Welfare (BMCW). 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.

While BMCW administers the program, BMCW contracts with private vendors to provide many of the services children and families receive. Consequently, the BMCW budget includes funding for contracted services, out-of-home placement services, and state operations.

Aid Payments and Contracted Services. In 2006-07, DHFS is budgeted \$83,476,500 (\$34,852,500 GPR, \$16,846,400 FED, and \$31,777,600 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 collections (including a portion of Milwaukee County's shared revenue allocation), medical assistance funds the state is able to claim for certain case management services, and temporary assistance for needy families (TANF) funds transferred to BMCW from the Department of Workforce Development (DWD).

State Operations. In 2006-07, DHFS is budgeted \$18,700,900 (\$10,502,800 GPR, \$6,073,300 FED, and \$2,124,800 PR) to support state operations costs for BMCW. The funding includes federal Title IV-E funds and TANF funds transferred from DWD (PR). These amounts include funding that supports the electronic Wisconsin statewide automated child welfare information system (eWISACWIS) 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

Provide \$5,508,800 (\$3,009,400 GPR, -\$2,701,400 FED, and \$5,200,800 PR) in 2007-08 and \$5,508,800 (\$8,122,500 GPR, -\$2,683,500 FED, and \$69,800 PR) in 2008-09 to reflect the net effect of funding changes for aids administered by BMCW and the Bureau's state operations costs. In addition, convert 11.27 FED positions to GPR, beginning in 2007-08.

Aid Payments and Contracted Services. Provide \$5,423,100 (\$2,065,600 GPR, -\$1,697,600 FED, and \$5,055,100 PR) in 2007-08 and \$5,423,100 (\$7,178,700 GPR, -\$1,679,700 FED, and -\$75,900 PR) in 2008-09 to fund projected costs of aids and contracted activities. This item would: (a) replace decreasing federal Title IV-E funds with GPR and PR sources (\$900,800 GPR, -\$2,221,200 FED, and \$1,320,300 PR in 2007-08 and \$2,203,700 GPR and \$2,203,700 FED in 2008-09); (b) support projected increases in the number of children with special care needs in the out-of-home care population (\$1,164,800 GPR, \$160,500 FED, and \$1,427,100 PR in 2007-08 and \$2,591,400 GPR and \$160,900 FED in 2008-09); (c) reduce funding for wraparound and safety services, based on projected costs of providing these services (\$502,200 PR annually); (d) increase funding to support existing contracted services (\$105,500 PR in 2007-08 and -\$320,800 GPR and \$426,300 PR in 2008-09); and (e) increase funding to support ongoing initiatives (\$363,100 FED and \$2,704,400 PR in 2007-08 and \$2,704,400 GPR and \$363,100 FED in 2008-09).

These ongoing initiatives include: (a) case manager salary increases (\$266,500 FED and \$1,012,300 PR in 2007-08 and \$1,012,300 GPR and \$266,500 FED in 2008-09); (b) case manager training expansion (\$500,000 PR in 2007-08 and \$500,000 GPR in 2008-09); (c) case manager and supervisor phase-in (\$96,600 FED and \$366,900 PR in 2007-08 and \$366,900 GPR and \$96,600 FED in 2008-09); (d) University of Wisconsin-Milwaukee master of social work program expansion (\$222,400 PR in 2007-08 and \$222,400 GPR in 2008-09); (e) Milwaukee DA IV-E supplement (\$233,600 PR in 2007-08 and \$233,600 GPR in 2008-09); and (f) training partnership IV-E supplement (\$369,200 PR in 2007-08 and \$369,200 GPR in 2008-09).

State Operations. Provide \$85,700 (\$943,800 GPR, -\$1,003,800 FED, and \$145,700 PR annually) to fund BMCW operations. Convert 11.27 FED positions, beginning in 2007-08, to GPR positions to reflect decreasing Title IV-E reimbursement rates. This funding would support: (a) the electronic Wisconsin statewide automated child welfare information system (eWISACWIS) in Milwaukee (\$52,300 GPR, -\$124,900 FED, and \$72,600 PR annually); (b)

reestimates of infrastructure costs related to the Bureau's computer systems (\$7,500 GPR, \$5,100 FED, and \$3,300 PR annually); (c) a reestimate of the amount of federal Title IV-E that the state can claim (\$884,000 GPR and -\$884,000 FED annually); and (d) increased rent costs (\$69,800 PR annually).

DISCUSSION POINTS

Current Contracts and Out-of-Home Care

1. BMCW currently contracts with vendors to provide a variety of services, including (but not limited to) 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 placement services (recruitment and licensing of foster families), adoption placement services, independent investigations, permanency planning reviews and court services. These contracts total approximately \$38.6 million (all funds) annually. The Governor's bill would maintain current funding for most aids contracts at current (base) levels, with a few exceptions, which are discussed later in the paper.

2. Part of the BMCW budget includes funding for the "wraparound" program, which provides comprehensive services for families and children with significant complex mental health needs. Children are served by the program if they have been referred to child welfare services and are at immediate risk of placement in a residential treatment center, a juvenile justice facility, or a psychiatric hospital. The current estimate assumes that caseload will, on average, remain constant through the biennium (an average of 216 cases each month, with an average cost per case of approximately \$3,985 per month). Total expenditures for these services are expected to be approximately \$10.3 million (all funds) annually.

3. Safety services are provided to families where threats to child safety have been identified, but BMCW staff determines that a child can remain at home safely if appropriate services are provided to the family. These services include, but are not limited to, supervision, observation, basic parenting assistance, child care, family crisis counseling, and respite care. The Governor's budget assumes that an average of 273 families per month will receive "core" safety services, at an average cost of approximately \$1,000 per month, or approximately \$3.3 million per year. (Safety services are funded from TANF funds transferred from the Department of Workforce Development. On May 22, as part of its deliberations on the TANF budget, the Committee adopted the Governor's recommended funding level for safety services provided by BMCW.)

4. The costs of out-of-home care account for about a third of BMCW's annual aids and contract costs. These costs are the most difficult to predict.

Table 1 identifies current estimates of out-of-home care costs BMCW will pay in each year of the 2007-09 biennium, by type of placement. These estimates use the same methodology the administration used in developing the Governor's budget, but updates caseload and cost estimates to reflect actual data and trends through February, 2007, the last month for which data were available.

TABLE 1

**Projected Out-of-Home Care Costs
(Based on the Administration's Average Cost Methodology)**

	<u>Average Number of Children</u>	<u>Average Monthly Cost Per Child</u>	<u>Total Annual Cost</u>
Family Foster Care	1,457	\$495.35	\$8,658,200
Treatment Foster Care	298	2,520.53	9,023,400
Residential Care Centers	33	7,517.89	2,999,600
Group Homes	<u>88</u>	4,476.77	<u>4,714,000</u>
Total	1,876		\$25,395,200

5. The total number of children in out-of-home care has declined steadily during the past several years, from 2,642 in January, 2004, to 1,783 as of March, 2007, a decrease of approximately 33%. Most of this decrease is attributable to a decline in the number of children in foster care during this period (a decrease of approximately 55%). However, the decrease has been somewhat offset by increases in the number of children who have been placed in treatment foster homes and group homes, which is much more costly than foster care. The administration expects that the current trend of decreases in the number of children in foster care will level off, as it may become increasingly difficult to find permanent placements for children who remain in foster care.

Funding in the bill could be reduced by \$293,300 (\$211,600 GPR and \$81,700 FED) in 2007-08 and \$293,300 (\$250,400 GPR and \$42,900 FED) in 2008-09 to fully fund these projected out-of-home placement costs, using the administration's method of projecting costs for out-of-home placements, but using updated caseload and cost data, and revised estimates of the federal Title IV-E matching rate that determines the amount of federal funding that would be available to partially support these costs.

6. Alternative methods could be used to estimate future out-of-home placement costs. The administration's method assumes that, beginning in July, 2007, out-of-home care caseloads would equal the average caseload over a previous 12-month period, and remain constant during the 2007-09 biennium. One could instead assume that the current trends of decreasing foster care placement and increasing group home and RCC placements would continue in the future. For example, an estimate could be developed by using the average percentage change over the past six months and assume that the percentage change will level off gradually over the biennium. Using this methodology would suggest that funding in the bill should be increased by approximately \$3.5 million (all funds) annually to fully fund out-of-home care costs.

7. Table 2 shows the results of an estimate that uses this alternative methodology.

TABLE 2

**Projected Out-of-Home Care Costs
(Alternative Methodology)**

	<u>Average Number of Children</u>	<u>Average Monthly Cost Per Child</u>	<u>Total Annual Cost</u>
Family Foster Care	1,259	\$524.31	\$7,921,300
Treatment Foster Care	379	2,495.94	11,351,500
Residential Care Centers	41	7,909.58	3,891,500
Group Homes	<u>118</u>	4,355.52	<u>6,167,400</u>
Total	1,797		\$29,331,700

8. In summary, it appears that the administration's estimates of out-of-home placement costs are too low, since the funding in the bill assumes that the average number of children who will be in RCCs and group homes will be fewer than the current number of children in these high-cost facilities, and recent trends suggest that these populations may continue to increase in the 2007-09 biennium.

However, it is not certain that the current placement trends will continue. The administration has not requested the Committee to provide additional funding to support reestimates of out-of-home placement costs. For these reasons, the Committee could: (a) adopt the Governor's funding level for aids and contracted services (Alternative 1); (b) adopt a reestimate of these costs, based on more recent information, but using the administration's method for estimating costs (Alternative 2); or (c) adopt a reestimate that uses a different methodology in estimating costs, which assumes that current trends in out-of-home placements will continue through the 2006-07 fiscal year, then level off (Alternative 3). If the Committee adopts a funding level that is insufficient to support the cost of out-of-home care, additional funds could be provided by the Committee under s. 13.10 or through subsequent legislation.

New Contract Costs

Initiatives to Increase Case Manager Retention

9. The bill would provide \$2,464,700 annually (\$2,101,600 GPR and \$363,100 FED) for several initiatives that DHFS began in the 2005-07 to reduce case manager turnover and improve outcomes for families that receive services. The initiatives for case managers and their supervisors included in the budget are: (a) salary increases; (b) training; (c) phase-in program; and (d) an expansion of the UW-Milwaukee Master of Social Work (MSW) program.

10. DHFS provided initial base salary increases and 2.5% annual salary increases for case managers and supervisors in calendar years 2006 and 2007. The annual cost of maintaining

these salary increases is \$1,278,800 (\$1,012,300 GPR and \$266,500 FED). Beginning in fiscal year 2005-06, DHFS began a program to work with existing training partners to revise the training curriculum for case managers and their supervisors. The annual cost of this program is \$500,000 GPR. In 2005-06, DHFS also implemented a phase-in program for case managers and their supervisors to provide further on-site training. This program was implemented to address the problem of case managers being unprepared for the challenges associated with being a child welfare caseworker. The annual cost of this program is \$463,500 (\$366,900 GPR and \$96,600 FED). In the 2005-06 academic year, DHFS implemented a program with the UW-Milwaukee MSW program. This program provides BMCW staff with a stipend while they attend graduate school full-time, or allows BMCW staff to take evening courses at reduced tuition. The annual cost of this program is \$222,400 GPR.

11. In *Jeanine B. v. James Doyle, No. 93-C-547, at 7 (D.Wis. Nov. 17, 2006)*, Janine P. Geske, the arbitrator, ordered the State of Wisconsin to continue the initiatives agreed to as part of the settlement agreement. Judge Geske noted that high caseworker turnover prevented BMCW from complying with many of the standards included in the settlement agreement. The attachment to this paper contains the remaining enforceable provisions and BMCW's performance for the most recent period.

12. In response to high turnover, BMCW implemented recruitment and retention initiatives as part of a corrective action plan, including caseworker salary increases and training opportunities. The Legislature did not appropriate funds for the initiatives, so the Governor, through executive action, funded the plan for 2005-2007 by reallocating base funding budgeted for BMCW. As part of the case, the state argued that it would only be able to continue the retention initiatives if the Legislature appropriated the necessary funds included in the Governor's biennial budget recommendations. The arbitrator ruled that the state was bound by the corrective action plan and ordered the state to continue the initiatives. Because the arbitrator ruled that the state must continue to provide caseworker retention activities, the Committee may wish to provide funding for these initiatives.

13. On the other hand, the opinion states that it is not requiring the Legislature to provide additional funding for this purpose, but that the state is bound by its agreement and must continue the initiatives included in the corrective action plan. Therefore, although the opinion does not require the Legislature to increase BMCW's budget for this purpose, BMCW must ensure that these activities continue as part of the settlement agreement. Consequently, if the Committee deletes funding in the bill that would be provided to support these costs, BMCW would be required to reallocate base funding to support these initiatives.

Title IV-E Replacement Costs

14. The bill would provide \$602,800 GPR annually for new contracts that are a result of decreased federal Title IV-E revenue. The federal Deficit Reduction Act of 2006 eliminated the ability of states to claim administrative costs associated with IV-E eligible children placed with unlicensed relatives. The changes in title IV-E affects two programs that were previously not

funded with GPR: (a) the Milwaukee District Attorney’s Office, which provides legal services to BMCW; and (b) UW-Milwaukee, which provides child welfare staff training. The cost of providing GPR to offset reductions in federal funding is \$233,600 and \$369,200 respectively.

15. As part of the settlement agreement, BMCW was required to work with the Milwaukee County District Attorney’s office to ensure adequate legal representation is available for court proceedings for termination of parental rights petitions. DHFS currently provides \$754,000 FED for these services, but will now only be able to claim \$520,400 FED annually. SB 40 would provide \$233,000 GPR to offset the reduction in federal funding. Because it is required by the settlement agreement that BMCW work with the District Attorney’s office, the Committee may wish to provide funding for this contract.

16. However, the settlement agreement does not require that BMCW provide a specific amount of funding for this function. The Committee could delete funding that would be provided for this purpose, which would require DHFS to either: (a) reduce its level of support for this function; or (b) reallocate base funds for this purpose.

17. The UW-Milwaukee child welfare partnership for professional development (MCWPPD) trains child welfare staff employed by the BMCW. New staff receives training on: (a) court preparedness and court orientation; (b) cultural competence; (c) introduction to BMCW; (d) introduction to the coordinated service team approach; (e) juvenile court intake training; (f) quality case documentation; and (g) eWISACWIS. Existing staff and supervisors have additional trainings available to them. SB 40 would provide \$369,200 GPR for such training in order to offset the reduction in federal funding. Since these professional development trainings are also considered case manager retention activities, the Committee may wish to provide funding for this purpose. On the other hand, as with the other case manager retention initiatives, the Committee is not required to provide funding for this purpose.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendations.

ALT 1	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	\$11,131,900	11.27
FED	0	0.00	- 5,384,900	- 11.27
PR	<u>0</u>	<u>0.00</u>	<u>5,270,600</u>	<u>0.00</u>
Total	\$0	0.00	\$11,017,600	0.00

2. Reduce funding in the bill by \$293,300 (-\$211,600 GPR and -\$81,700 FED) in 2007-08 and \$293,300 (-\$250,400 GPR and -\$42,900 FED) in 2008-09 to fully fund estimated out-of-home care costs, using the same methodology the administration used, but updating caseload and cost estimates to reflect more recent information.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	- \$462,000	\$10,669,900
FED	- 124,600	- 5,509,500
PR	<u>0</u>	<u>5,270,600</u>
Total	- \$586,600	\$10,431,000

3. Increase funding in the bill by \$3,479,000 (\$2,876,300 GPR and \$602,700 FED) in 2007-08 and \$3,492,800 (\$2,844,000 GPR and \$648,800 FED) in 2008-09 to reflect a reestimate of the costs of funding out-of-home placement costs, based on an alternative estimating methodology that both reflects current trends and assumes a gradual leveling off of caseloads.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	\$5,720,300	\$16,852,200
FED	1,251,500	- 4,133,400
PR	<u>0</u>	<u>5,270,600</u>
Total	\$6,971,800	\$17,989,400

4. In addition to Alternatives 1, 2, or 3, reduce funding in the bill for any of the following items.

a. Reduce funding the bill by \$2,464,700 annually (\$2,101,600 GPR and \$363,100 FED) to delete funding for new contracts that would increase case manager retention that began in the 2005-07 biennium.

b. Reduce funding in the bill by \$233,000 GPR annually to offset reductions in federal IV-E funds for a contract with the Milwaukee County District Attorney.

c. Reduce funding in the bill by \$369,200 GPR annually to offset reductions in federal IV-E funds for child welfare staff training.

Prepared by: Katie Maguire
Attachment

ATTACHMENT

2006 BMCW Performance on Remaining Enforceable Provisions

	Period 1 (2003)		Period 2 (2004)		Period 3 (2005)		Current (2006)	
	Standard	Actual	Standard	Actual	Standard	Actual	Standard	Actual
Permanence								
TPR by 15th month for children in out-of-home care for 15 of last 22 months	≥ 65.0%	76.8%	≥ 75.0%	88.2%	≥ 90.0%	29.0%	≥ 90.0%	79.0%
Reunification within 12 months of entry into out-of-home care	monitor	45.0%	≥ 65.0%	63.0%	≥ 71.0%	72.0%	≥ 71.0%	71.0%
Exit out-of-home care within 24 months for children with finalized adoptions	≥ 20.0%	14.2%	≥ 25.0%	15.5%	≥ 30.0%	21.7%	≥ 30.0%	32.5%
Safety								
% of children with substantiated abuse or neglect allegations by a foster parent or staff member	≤ 0.70%	0.57%	≤ 0.65%	0.79%	≤ 0.65%	0.60%	≤ 0.65%	0.15%
Well-Being								
Children in out-of-home care shall have 3 or fewer placements	≥ 80.0%	75.9%	≥ 82.0%	72.1%	≥ 90.0%	72.0%	≥ 90.0%	73.0%