Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

January 8, 2014

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

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

On October 1, 2013, the Joint Committee on Finance received a proposal from the Department of Administration (DOA) to allocate federal income augmentation revenues pursuant to ss. 46.46(2) and 48.567(2) of the statutes. Income augmentation revenues are federal medical assistance (MA), Medicare, and child welfare moneys the Department of Health Services (DHS) and the Department of Children and Families (DCF) receive as a result of income augmentation activities for which the state has contracted. Income augmentation activities are activities undertaken by DCF, DHS, or a contracted entity to identify expenditures made at the local level that are eligible for reimbursement under MA, Medicare, or child welfare and to then submit those eligible expenditures for reimbursement of the federal share of those expenditures. The federal share of these costs was initially paid with state and local funds. Consequently, the state may use these reimbursed income augmentation funds for any purpose.

Currently, all income augmentation revenue the state receives is based on claims DHS submits under the MA program. These moneys are initially credited to a federal appropriation in DHS [s. 20.435(8)(mb)], and then transferred to a program revenue (PR) appropriation in DCF [s. 20.437(3)(kp)].

Under the current proposal, the administration identified amounts DHS had collected and reconciled in the 2012-13 fiscal year ($27,461,800) and federal income augmentation revenues received prior to 2012-13 ($6,205,500).

On October 15, 2013, the Co-Chairs notified the DOA Secretary that the Committee would meet to consider the administration's plan.

BACKGROUND

Currently, the state claims federal income augmentation funds from two sources. First, DHS

claims MA funds for targeted case management (TCM) services, which counties provide to children who are in out-of-home care and whose care is not eligible for reimbursement under Title IV-E of the Social Security Act. Second, the state claims MA funds for certain services that residential care centers (RCCs) provide to children that are reimbursable under the MA program's HealthCheck benefit. These sources of funding are discussed in further detail in the next section.

The 2013 income augmentation plan includes the following: (a) $23,279,700 from TCM funds; and (b) $10,387,600 from HealthCheck services provided by RCCs. In total, $33,667,300 in income augmentation revenue is included in the current plan.

Under the administration's proposal, approximately $21.2 million of federal income augmentation funds would be allocated to support administrative costs and to satisfy requirements of prior legislation as follows:

- $8.8 million to transfer to the MA trust fund to support MA benefits costs, as budgeted in 2013 Act 20;

- $1.4 million to counties to support administrative costs of claiming MA-eligible HealthCheck services provided by RCCs, based on the process DHS uses to claim these funds, first authorized in 2005 Wisconsin Act 25;

- $9.4 million to DCF to fund items budgeted in 2011 Act 32;

- $1.1 million to fund DHS and DCF income augmentation administrative expenses pursuant to ss. 46.46(1) and 48.567(1);

- $0.2 million to the contracted firm that assisted the state in generating these income augmentation funds pursuant to s. 46.46(1); and

- $0.3 million to support the DHS Office of the Blind and Visually Impaired, as budgeted in 2013 Act 20.

Under the administration's plan, the remaining revenue of $12.5 million would be allocated as follows:

- $9.6 million to address a shortfall in the Wisconsin Works (W-2) program for benefit payments;

- $1.7 million to create a new program in Milwaukee, the SAFE Milwaukee initiative, which would support a short-term, behaviorally-oriented family therapy program for a limited number of youths with severe behavioral problems and chronic delinquency; and

- $1.2 million would lapse to the general fund to meet DCF agency lapse requirements for both years of the 2013-15 biennium pursuant to Act 20.

It is this amount ($12.5 million) that is available for allocation by the Committee. Any income augmentation revenue that is not budgeted for specified purposes by the Legislature, or by the Committee under the process specified under ss. 46.46 and 48.567 of the statutes, is deposited to the general fund.

ANALYSIS

Sources of Federal Income Augmentation Revenue

Targeted Case Management Funds. The DOA plan shows that $23,279,700 of TCM funds are currently available, including: (a) $17,074,200 for claims paid as of June 30, 2013, for services provided in the 2012-13 fiscal year through March, 2013; and (b) $6,205,500 in one-time prior year claims, primarily from fiscal year 2007-08, which the administration retained due to concerns raised by the Centers for Medicare and Medicaid Services (CMS) regarding the state's claiming methodology, and the possibility that the state may be required to return these funds to CMS. DHS indicates that the issues raised by CMS are no longer being pursued, so the TCM funds under (b) are now available.

As noted above, TCM funds are federal MA matching funds the state currently claims for case management services counties provide to MA-eligible children who are in out-of-home care and whose care is not eligible for reimbursement under Title IV-E of the Social Security Act. Currently, the state estimates the amount of time county staff spend providing these and other services through a random moment time study (RMTS).

The RMTS is administered by staff in the Bureau of Finance in DCF's Division of Enterprise Solutions. Each quarter, counties submit to the Bureau the names of their staff that perform activities that are potentially reimbursable under federal programs. A computer program generates a sample of these workers (approximately 2,760), each of whom interviewers call. The interviewer asks the county worker what type of activity the county worker was doing at the time he or she received the phone call from the interviewer. Examples of these activities include determining program eligibility, developing case plans, reviewing cases, and referring clients for services. In addition, the interviewer asks the county worker for information on the primary client the worker is serving. The Bureau summarizes the results of the study, which provides the basis for claiming federal Title IV-E (child welfare) and Title XIX (MA) matching funds.

In recent years, DHS and DCF staff have been concerned that CMS may object to the manner in which the state documents the case management services provided by counties on behalf of these children. For example, CMS may prefer that DHS claim MA costs based on 15-minute service increments, rather than time estimates derived from the RMTS.

Beginning in January, 2014, the state will no longer claim federal MA funds for TCM services. Based on the current annualized claims, this change will reduce federal revenue available to the state by approximately $17.1 million per year. However, it is estimated that approximately $12.8 million in TCM revenues will be available in 2014-15, representing nine months of claims, for services provided from April 1, 2013, through December 31, 2013 ($17.1 million/year x .75

years). The actual amount will be identified in the October, 2014, income augmentation plan DOA submits to the Joint Committee on Finance.

One reason the administration has decided to discontinue claiming federal MA funds for TCM services is that, on January 1, 2014, the state began to implement a new MA initiative to provide comprehensive, MA-funded services to children in out-of-home care settings, other than children in RCCs, through a medical home model. Under this initiative, which is called Care4Kids, DHS will pay a health care provider (Children's Hospital of Wisconsin) to provide a comprehensive set of MA-funded services to this population, including case management services. Initially, approximately 2,600 children in out-of-home care in Kenosha, Milwaukee, Ozaukee, Racine, Washington and Waukesha Counties will be enrolled, which represents nearly half of the statewide number of children in out-of-home care (5,500). DHS will pay Children's Hospital for providing these case management services that were previously provided by county staff, which will reduce the amount of case management work county staff provide on behalf of these children.

In addition, the administration believes that implementation of the medical home model will make it difficult for the state to continue to claim MA funds for TCM services provided by counties where children in foster care are not receiving services through the medical home. These reasons include difficulty in generating a statistically valid sample of TCM services from the remaining counties and in establishing a methodology that is no longer based on statewide county staff costs.

HealthCheck Services Provided by Residential Care Centers. The DOA plan includes $10,387,600 in federal MA funding the state claimed for MA-eligible services provided to MA-eligible children by RCCs. RCCs are private, nongovernmental entities that provide custodial care and treatment for children, youths, and young adults. The services provided by RCCs are performed primarily by youth care workers and social workers. In addition, RCCs provide some services performed by medical professionals, such as psychiatrists and psychologists.

In September, 2013, the U.S. Department of Health and Human Services, Office of the Inspector General (OIG) issued a report that questioned the method DHS had used, and continues to use, to claim federal MA funds for these services. The report indicated that in federal fiscal year 2004-05, the state began using an RCC reimbursement methodology devised by a hired consultant to increase MA federal funds claimed by the state. Specifically, the consultant advised that RCC costs for treatment services provided by youth care workers and social workers could be claimed as "other services" under the state's early and periodic screening, diagnostic and treatment benefit, which is called HealthCheck in Wisconsin.

According to the OIG report, the consultant developed an MA reimbursement methodology that included two components: (a) a HealthCheck base rate for each RCC, consisting of the estimated MA portion of the RCC daily billing rate; and (b) a HealthCheck administrative rate, consisting of a fixed percentage of the RCC daily rate. The administrative rate was intended to cover nontreatment expenses that the RCC incurred to implement and participate in HealthCheck. The state used both rates in claiming federal MA matching funds, representing these costs as "other practitioner services." The state-reported costs for these services increased by approximately $18.3

million in the first year following implementation, increasing the amount of federal funds the state claimed by approximately $10.7 million.

The OIG report notes that federal MA regulations require that all MA reimbursable costs must be necessary and reasonable for proper and efficient administration of the program, must be allocable to federal awards in accordance with relative benefits received, and must be adequately documented. Further, states may claim reimbursement only for costs for which all supporting documentation is available at the time the state submits its cost report to CMS. Based on its review, OIG found that of the $41,382,076 in costs that the state claimed for the two-year period from October, 2004, through September 30, 2006, $39,405,030 was unallowable, including $22,839,628 in federal funds the state claimed for this period. The OIG conclusion was based on its review of the methodology DHS used to claim these costs, including the Department's estimates that 80% of youth care workers' salary costs and 75% of social workers' salary costs could be allocated to Medicaid. OIG determined that the information provided by DHS did not adequately support these estimates.

DHS submitted written comments to OIG's draft report, which are included as an appendix to the final OIG report. Generally, DHS asserts that the estimates of MA reimbursable salary costs of youth care workers' and social workers' salaries were sufficiently documented, based on interviews of social workers in seven RCCs, time study results in similar residential facilities in Texas, and consultations with staff in the Division of Children and Family Services, now a part of DCF. Further, DHS asserts that the federal regulation OIG referenced with respect to documentation (OMB Circular A-87) applies to allocating MA administration costs, but does not apply with respect to the establishment of payment rates for MA-covered services. Finally, DHS asserts that federal regulations [42 CFR 447.203(a)] require state MA agencies to maintain documentation *of* payment rates, rather than documentation *for* payment rates, as OIG interprets the regulation.

OIG has recommended that DHHS require Wisconsin to refund $22,839,628 for unallowable RCC costs the state claimed for this two-year period, and that the state work with CMS to identify payment and allocation methodologies for claiming MA-allowable RCC costs under the state's HealthCheck benefit. To date, CMS has taken no action on the OIG recommendations. DHS has expressed confidence that CMS will not recoup the funds OIG identified in its recommendation, or other federal funds the state has claimed by using this methodology.

2013 Income Augmentation Plan Expenditures

Wisconsin Works. W-2 is the state's work program under the temporary assistance for needy families (TANF) block grant program. Prior to January 1, 2013, monthly benefits for participants in the W-2 program were paid by the W-2 agencies that DCF contracted with to administer the W-2 program at the local level. W-2 agencies received three separate allocations to administer W-2: administration, services, and benefits. Under the 2010-2012 contracts, W-2 was administered at the local level as follows: (a) 37 counties were served by county human/social services agencies; (b) 34 counties outside of Milwaukee were served by non-county agencies; and

(c) six non-county agencies covered five regions in Milwaukee County.

The 2013-2016 W-2 agency contracts included a number of significant changes to local administration of the W-2 program. First, the state was consolidated into 10 geographical areas--four areas in Milwaukee County and six that divide the rest of the state. Second, the payment structure for the W-2 agencies changed from reimbursement for allowable costs to a capitated payment based on enrollment numbers. Finally, W-2 agencies were no longer responsible for the payment of W-2 benefits. Instead, DCF now pays W-2 benefits as a direct state activity and may impose enrollment limits on any geographic area at any time during the contract period.

The Governor's budget proposal for the 2013-15 biennium assumed that W-2 monthly caseloads and expenditures would decrease by 1% per month until June, 2015, beginning August, 2012, before the 2013-2016 W-2 agency contracts began. Table 1 shows the actual monthly paid caseloads and expenditures for calendar year (CY) 2012, along with the percent change.

TABLE 1

W-2 Benefits Caseload and Expenditure Information
CY 2012

Month	Caseload	Percent Change	Expenditures	Percent Change	Average Benefit
January	15,265		$8,008,968		$525
February	14,649	-4.0%	7,953,113	-0.7%	543
March	14,404	-1.7	7,454,648	-6.3	518
April	14,024	-2.6	7,253,543	-2.7	517
May	14,135	0.8	7,180,679	-1.0	508
June	14,074	-0.4	7,196,170	0.2	511
July	14,030	-0.3	6,912,232	-3.9	493
August	14,154	0.9	7,130,574	3.2	504
September	13,816	-2.4	6,926,800	-2.9	501
October	13,939	0.9	6,989,947	0.9	501
November	13,626	-2.2	7,007,418	0.2	514
December	13,537	-0.7	6,864,724	-2.0	507

Table 1 shows that the caseload in CY 2012 decreased 11.3% from January through December of 2012. Monthly expenditures decreased 14.3%.

Coinciding with the implementation of the new 2013-2016 W-2 agency contracts on January 1, 2013, caseloads and expenditures began to increase in January, 2013. As a result, additional funding of $9,882,500 in 2013-14 and $8,402,000 in 2014-15 was provided for W-2 benefit payments by the Legislature under 2013 Act 20. The increase in funding for W-2 benefit payments assumed that caseloads and expenditures would decline by 1% per month, beginning April, 2013. In addition, Act 20 changed statutory provisions to codify the practice under the 2013-2016 W-2 agency contracts of having DCF, rather than a W-2 agency, making W-2 benefit payments.

With the exception of expenditure amounts in March, 2013, declining from February, 2013, W-2 paid caseloads and expenditures have increased every month through October, 2013, in CY 2013. November, 2013, shows a decrease in both caseload and expenditures from October. Table 2 shows the monthly paid caseloads and expenditures for January, 2013, through November, 2013.

TABLE 2

W-2 Benefits Caseload and Expenditure Information
January through September, 2013

Month	Caseload	Percent Change	Expenditures	Percent Change	Average Benefit
January	14,022	3.6%	$6,982,710	1.7%	$498
February	14,328	2.2	7,697,803	10.2	537
March	14,513	1.3	7,514,692	-2.4	518
April	15,076	3.9	7,645,348	1.7	507
May	15,415	2.2	7,806,149	2.1	506
June	15,689	1.8	7,809,800	0.0	498
July	15,987	1.9	8,069,878	3.3	505
August	16,146	1.0	8,235,757	2.1	510
September	16,215	0.4	8,264,566	0.3	510
October	16,400	1.1	8,427,881	2.0	514
November	16,222	-1.1	8,253,087	-2.1	509

The caseload in CY 2013 has increased 15.7% from January, 2013, through November, 2013. Monthly expenditures increased 18.2% over this same time period.

Overall, for the period from January, 2013, through November, 2013, over January, 2012, through November, 2012, the average monthly caseload is 8.9% higher and overall expenditures are 8.4% higher in CY 2013.

DCF's 2013 income augmentation plan would provide $9,599,900 for W-2 benefits to aid in the shortfall of W-2 benefit payments due to continued increases in caseloads and expenditures. In its plan, DCF indicated that if caseloads declined by 1% per month beginning in August, 2013, the benefit shortfall would be $9.6 million. As Table 2 shows, W-2 paid caseloads and expenditures did not decrease by 1% in August, September, or October. Caseloads and expenditures did decrease by 1.1% and 2.1%, respectively, in November, 2013. Assuming W-2 paid caseloads and expenditures decline by 1% per month, beginning in December, 2013, an additional $14.7 million would be needed to fully fund W-2 benefits in 2013-14. Additional funding of approximately $13.8 million would be needed to fully fund W-2 benefits in 2014-15, which is not addressed in the 2013 income augmentation plan.

As shown in Table 2, caseloads and expenditures have increased through most of CY 2013. Although November, 2013, shows a reduction in both caseload and expenditures, it may be premature to assume caseloads and expenditures would continue to decline at the rate of 1% per

month throughout the remainder of 2013-15 biennium. If, for example, it is assumed that monthly expenditures remained flat at the November, 2013, monthly expenditure level ($8,253,087) for the remainder of the biennium, an additional $17.0 million in 2013-14 and $26.3 million in 2014-15 would be needed.

The Committee could approve the income augmentation plan to provide $9,599,900 for W-2 benefits in 2013-14 to partially offset the shortfall due to higher than anticipated caseloads and expenditures since April, 2013 (Alternative 2a).

DCF has indicated that the Department expects the W-2 paid benefit caseloads and expenditures to continue to decrease through the remainder of the 2013-15 biennium. DCF anticipates addressing any remaining shortfall in 2013-14 with carryover funds from child support transfers and TANF overpayment recoveries, as well as from potential underspending in other TANF-related programs. Other possible revenue sources, such as TANF contingency funds or funds from the TANF balance that were not budgeted, could be used to address the shortfall if the Committee approves these expenditures under a 14-day passive review process.

However, given the magnitude of the shortfall, the Committee could provide the entire $12,484,300 available for allocation to partially address the W-2 benefits shortfall (Alternative 2b). As a result, no income augmentation revenue would be available for the SAFE Milwaukee Initiative (discussed below) or to lapse to the general fund.

The Committee could deny the request to provide income augmentation revenues for W-2 benefits and lapse an additional $9,599,900 to the general fund (Alternative 2c). This alternative would require DCF to find alternative revenue sources to offset the W-2 benefit shortfall, if possible. If other revenues are not available, DCF could institute enrollment caps pursuant to the W-2 agency contracts. Enrollment caps could deny benefit payments to W-2 participants who would otherwise be eligible for the W-2 program. To be eligible for W-2, a participant must be at or below 115% of the federal poverty level.

SAFE Milwaukee Initiative. DCF indicates that a small number of youth from a few neighborhoods in Milwaukee account for a large portion of the crime and delinquency in Milwaukee. In order to improve community safety, quality of life, and the economic viability of Milwaukee, DCF proposes to target these youth and their families with a new functional family therapy (FFT) program.

FFT is a short-term, behaviorally oriented family therapy targeted to youth ages 10 to 18 with severe behavior problems, chronic delinquency, and youth most at risk for delinquency. FFT consists of intervention and assessment.

There are three FFT intervention phases: (a) engagement and motivation; (b) behavior change; and (c) generalization. The engagement and motivation phase builds alliances between the therapist and each family member and between all family members, reduces negativity and blame, and develops a shared family focus to the presenting problems to build hope and an expectation for change. The behavior change phase attempts to change individual and family risk patterns through

skill building, changing habitual problematic interactions, and other coping patterns. Activities presented, taught, and modeled are geared specifically to each family's abilities, context, and values. The generalization phase extends positive family functioning, plans for relapse prevention, and incorporates community systems.

FFT assessments: (a) focus on the ways that family relational systems are related to the presenting behavior problems; (b) identify risk and protective factors to help identify family, individual, and contextual issues for treatment; (c) include cognitive, developmental, psychological, behavioral, and contextual factors of the youth and the youth's family; and (d) includes family functioning as the most helpful way to identify appropriate treatment options and approaches.

Various studies indicate that FFT reduces recidivism and drop-out rates, and is more cost effective when compared to other juvenile offender programs.

Under the 2013 income augmentation plan, DCF proposes to provide $850,000 annually, beginning January 1, 2014, for the FFT program. The United Neighborhood Centers of Milwaukee (UNCOM) network of centers would be provided with clinicians trained in FFT. UNCOM centers are located in the neighborhoods with the youth at highest risk of delinquencies. The clinicians would be hired and supervised by St. Aemilian-Lakeside. St. Aemilian-Lakeside serves children and families in Milwaukee and other parts of Wisconsin through a number of programs, including child welfare case management, care coordination, residential treatment, day treatment, prevention, and independent living services. Referrals would be made to UNCOM centers through the Milwaukee Police Department, the court system, child welfare agencies, and neighborhood centers.

Funding of $850,000 annually would support: (a) salaries for 8.0 FTE therapists ($400,000); (b) salary for 1.0 FTE clinical supervisor ($60,000); (c) salary for .05 FTE agency administrator and 0.25 FTE support staff ($25,000); (d) fringe benefits ($133,000); (e) FFT certification training ($50,000); (f) mileage, rent, rent expenses, and other program expenses ($87,000); and (g) administration ($95,000). DCF indicates that this level of funding would support 80 to 100 families annually.

The Committee could approve the Governor's request to provide $1,700,000 in income augmentation revenues to create and support two years of the SAFE Milwaukee Initiative (Alternative 3a). The FFT program has shown to be successful in reducing recidivism and drop-out rates. Targeting youth most at-risk could improve community safety, quality of life, and economic viability in Milwaukee.

However, given the timing of the review of the 2013 income augmentation plan, it is not possible to begin the SAFE Milwaukee Initiative on January 1, 2014. DCF has indicated that if approved, implementation could begin April 1, 2014. As a result, $637,500 would be needed for CY 2014 and $850,000 would be needed for CY 2015. Therefore, the Committee could provide $1,487,500 in income augmentation revenues to create and support the SAFE Milwaukee Initiative until December 31, 2015 (a 21-month period). If the Committee were to choose this option, the

remaining $212,500 could be used to provide additional funding to partially offset the shortfall for W-2 benefits (Alternative 3b1) or could be lapsed to the general fund (Alternative 3b2).

Alternatively, the Committee could require DCF to implement the SAFE Milwaukee Initiative as a one-year pilot project during 2014-15, provide one-time funding of $850,000 in income augmentation revenues to DCF to serve 80 to 100 families in the FFT program, and lapse an additional $850,000 to the general fund (Alternative 3c). DCF could be directed to evaluate the program after six months, and the administration could then use the evaluation to determine if the SAFE Milwaukee Initiative should become a permanent program during the 2015-17 biennial budget deliberations.

Finally, the Committee could deny income augmentation funding for the SAFE Milwaukee Initiative (Alternative 3d). Income augmentation revenue would provide one-time funding for a new program that would need an ongoing revenue source. The administration could identify an ongoing revenue source and introduce a separate bill to create this program or create the program during the 2015-17 biennial budget process.

Lapse to General Fund. Provisions of 2013 Act 20 require the DOA Secretary to lapse to the general fund from unencumbered balances of GPR and PR appropriations from specified executive branch state agencies, other than sum sufficient and FED appropriations. The total amount of these lapses is $38,176,100 annually. Pursuant to Act 20, DCF's portion of this lapse is $592,200 annually.

The 2013 income augmentation plan would lapse $1,184,400 of income augmentation revenues to the general fund to satisfy DCF's portion of required lapses under Act 20. The amount lapsed ($1,184,400) would satisfy both years of DCF's annual lapse requirement of the 2013-15 biennium.

The Committee could approve the lapse of $1,184,400 in income augmentation revenues to the general fund to satisfy DCF's lapse requirement under Act 20 (Alternative 4a).

Alternatively, the Committee could specify that any amount of income augmentation revenue that is lapsed to the general fund not be counted in meeting DCF's Act 20 lapse requirement (Alternative 4b). Under this alternative, the administration would have to identify other DCF funds to lapse to the general fund in the amount of $592,200 annually during the 2013-15 biennium. This process could result in funding reductions that are not currently anticipated by DCF. This alternative would increase estimated lapses to the general fund, resulting in an additional one-time increase to the general fund in the amount of the income augmentation revenue lapsed.

Other Alternatives. The Committee could modify the 2013 income augmentation plan to allocate funding for W-2 benefits, the SAFE Milwaukee Initiative, lapses to the general fund, and any other state program in amounts that the Committee determines to be appropriate (Alternative 5).

Finally, the Committee could deny the Governor's proposal with respect to the $12.5 million

that may be allocated by the Committee (Alternative 6). As a result, the entire $12.5 million would be lapsed to the general fund.

ALTERNATIVES

1. Approve the Governor's request to allocate $12,484,300 in income augmentation revenues as follows: (a) $9,599,900 for W-2 benefits; (b) $1,700,000 for the SAFE Milwaukee Initiative; and (c) $1,184,400 lapse to the general fund to satisfy DCF lapse requirements under 2013 Act 20.

W-2 Benefits

2a. Approve the Governor's request to allocate $9,599,900 in income augmentation revenue for W-2 benefits in 2013-14.

2b. Modify the Governor's request to allocate the entire $12,484,300 in income augmentation revenue for W-2 benefits in 2013-14. Under this alternative, no funding would be provided for the SAFE Milwaukee Initiative and no funding would be lapsed to the general fund.

2c. Deny the Governor's request to allocate income augmentation revenues for W-2 benefits and lapse an additional $9,599,900 to the general fund. As a result, DCF would be required to find alternative sources of revenue to offset the W-2 benefit shortfall and/or cap W-2 enrollment.

SAFE Milwaukee Initiative

3a. Approve the Governor's request to allocate $1,700,000 ($850,000 annually) in income augmentation revenue to create a family functioning therapy program in Milwaukee, beginning January 1, 2014.

3b. Modify the Governor's request to allocate $1,487,500 ($637,500 in CY 2014 and $850,000 in CY 2015) in income augmentation revenue to create a family functioning therapy program in Milwaukee, beginning April 1, 2014, and allocate $212,500 of the income augmentation revenue for one of the following purposes:

1. Additional income augmentation revenue for W-2 benefits.

2. Additional lapse to the general fund.

3c. Modify the Governor's request to provide $850,000 in income augmentation revenue to require DCF to conduct a one-year pilot family functioning therapy program in Milwaukee, beginning July 1, 2014, and to lapse an additional $850,000 to the general fund. Direct DCF to evaluate the pilot program after six months for use during the 2015-17 budget deliberations.

3d. Deny the Governor's request to provide income augmentation revenue for the SAFE Milwaukee Initiative and lapse an additional $1,700,000 to the general fund.

Lapse to General Fund

4a. Approve the Governor's request to lapse $1,184,400 of the income augmentation revenue to the general fund in 2013-14 to satisfy DCF's Act 20 lapse requirements for both years of the 2013-15 biennium.

4b. Modify the Governor's request to specify that any amount of income augmentation revenue that is lapsed to the general fund not be counted in meeting DCF's Act 20 lapse requirement.

Other Alternatives

5. Modify the Governor's request to allocate income augmentation funding for W-2 benefits, the SAFE Milwaukee Initiative, lapses to the general fund, and any other state program in amounts that the Committee determines.

6. Deny the Governor's request for the 2103 income augmentation plan. As a result, $12,484,300 would be lapsed to the general fund.

Prepared by: Kim Swissdorf and Charles Morgan