



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 338: Increase Reimbursement Limit for Total Funeral and Burial Expenses under the Funeral and Cemetery Aids Program

Senate Bill 338 would increase, from \$3,500 to \$4,500, the maximum total funeral and burial expenses that could be incurred on behalf of deceased indigent individuals, for the purpose of qualifying a portion of those expenses for state reimbursement under Wisconsin's funeral and cemetery aids program. The bill was introduced on October 8, 2009 and referred to the Senate Committee on Ethics Reform and Governmental Operations, which recommended passage on February 10, 2010 on a vote of 5-0. The bill was referred to the Joint Committee on Finance on February 18, 2010.

CURRENT LAW

Under the state's funeral and cemetery aids program, the Department of Health Services (DHS) reimburses counties and tribal governing bodies for the funeral, burial, and cemetery costs they are required to pay on behalf of certain low-income individuals who, at the time of their death, were participants in such programs as medical assistance (MA), Wisconsin Works (W-2), and the supplemental security income (SSI) program. Reimbursement for cemetery expenses is limited to the lesser of \$1,000 or the cemetery expenses not paid by the decedent's estate or by other persons, and is available only if the decedent's total cemetery expenses do not exceed \$3,500. Reimbursement for funeral and burial expenses is limited to the lesser of \$1,500 or the funeral and burial expenses not paid by the decedent's estate or by other persons, and is available only if the decedent's total funeral and burial expenses do not exceed \$3,500.

SUMMARY OF BILL

Senate Bill 338 would require the state to provide reimbursement for funeral and burial

expenses in cases where the decedent's total funeral and burial expenses do not exceed \$4,500, rather than the current \$3,500 maximum. The bill would not alter the maximum amount of reimbursement available for funeral and burial expenses (\$1,500), nor would the bill modify any of the current statutory provisions relating to cemetery costs.

FISCAL EFFECT

The bill would provide no additional funding to support increased costs DHS would likely incur if the bill were enacted. Consequently, DHS would be required to support any increase in reimbursement payments to counties and tribes for funeral and burial services by reallocating funding that DHS has currently budgeted to support other income maintenance functions. A discussion of the funding history of the program, the fiscal note DHS prepared for the bill, and the current projected shortfall in the Department's budget for income maintenance activities is provided below.

Funding History. Benefits under the funeral, burial, and cemetery expenses program are an entitlement for those public assistance program participants who meet the program's eligibility criteria and whose funeral, burial and cemetery expenses fall within the statutory limitations. In recent years, costs associated with the program, which are supported entirely with GPR, have increased. That trend is shown in the following table, which summarizes total reimbursement payments DHS made to counties in calendar years 2006 through 2008 (the last calendar year for which this information is available), and the Department's current estimate for calendar year 2009, based on claims paid to date. (Counties may submit claims for 2009 costs until March 31, 2010.)

	<u>Actual Calendar Year Expenditures</u>			<u>DHS Estimate</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Cemetery Expenses	\$2,198,500	\$2,537,400	\$2,775,900	\$2,964,000
Funeral and Burial Expenses	<u>3,929,100</u>	<u>4,401,500</u>	<u>4,579,700</u>	<u>4,836,000</u>
Total Program Expenses	\$6,127,600	\$6,938,900	\$7,355,600	\$7,800,000

Due to recent increases in MA caseload, it is anticipated that more individuals will qualify for this program than had qualified for the program in the past, and state costs of the program will continue to increase, based on the current program eligibility and reimbursement limits.

Estimated Effect of the Bill on Program Costs. In its fiscal note to the bill, DHS estimated that the bill may increase the program's costs by approximately \$538,600 GPR per year. The estimate was based on several assumptions. First, the Department noted that of the 3,334 claims for funeral and burial expenses in state fiscal year 2008-09, nearly 87% already claimed the maximum reimbursement of \$1,500 (and therefore would not be impacted by the bill), and that of the remaining claims, there were 41 where the reported funeral and burial expenses were \$3,500, but the reimbursement claimed was less than \$1,500. For those 41 claims, DHS assumed the funeral

and burial costs had been discounted to \$3,500 in order to allow the decedent's estate to qualify for reimbursement under the program, and that increasing the maximum to \$4,500 would eliminate and/or reduce that discounting. DHS assumed that the bill would increase costs by approximately \$38,600 GPR annually for that category of claims.

Second, the Department's estimate assumed the bill would also increase program costs in some instances where the total amount of funeral and burial expenses are between \$3,500 and \$4,500, and a claim is not currently being made. DHS assumed the bill would cause the number of claims in this category to increase by approximately 15%, or 500 claims per year. At a projected cost of \$1,000 per additional claim, DHS estimated that this new category of claims would increase program costs by approximately \$500,000 GPR per year.

For the reasons identified in the Department's fiscal estimate, it is reasonable to expect that the bill would increase program costs by enabling additional claims to qualify for reimbursement. If the bill were enacted, there would no longer be an incentive for families to purchase funeral and burial services for a qualifying decedent that, together, do not exceed \$3,500, since they could instead purchase up to \$4,500 in combined services and still qualify for reimbursement for some or all of the costs not paid by the decedent's estate or other persons, subject to the \$1,500 limit on maximum reimbursement. However, because information regarding the assets potential claimants have available for funeral and burial expenses is limited, the increased program costs associated with the bill cannot be precisely estimated.

Potential Income Maintenance Funding Shortfall. State funding for the funeral and cemetery aids program is budgeted in a GPR appropriation that supports a variety of costs relating to the state's public assistance programs, including county and tribal income maintenance (IM) functions. DHS allocates funding for county and tribal income maintenance contracts on a calendar year basis, and claims 50% federal MA administrative matching funds to support these costs. Other costs supported by the appropriation include state support for the food stamp employment and training (FSET) program, the state's costs of administering Milwaukee County's income maintenance programs, and the FoodShare benefits for qualified aliens, who do not qualify for federal FoodShare benefits.

Because DHS is statutorily required to reimburse counties for eligible costs under the funeral and cemetery aids program and to make FoodShare benefits payments to qualified aliens, these programs are a "first draw" on the funding provided in the appropriation. If the costs of these programs exceed budgeted amounts, DHS would need to reallocate funding budgeted for other services supported by the appropriation to avoid a shortfall in the appropriation. Based on current available funds and anticipated costs, DHS currently projects a shortfall of approximately \$2.0 million in the appropriation by the end of the 2009-11 biennium. DHS intends to develop a plan to address this potential shortfall.

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