



Legislative Fiscal Bureau

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

May 18, 2001

Joint Committee on Finance

Paper #515

Community Aids (DHFS -- Community Aids and Supportive Living)

[LFB 2001-03 Budget Summary: Page 398, #1]

CURRENT LAW

Community Aids. Community aids are state and federal funds distributed by the Department of Health and Family Services (DHFS) to counties for the provision of human services in two broad, statutorily-defined functional areas: (a) social services for low-income persons and children in need of protection and services; and (b) services for persons with needs relating to mental illness, substance abuse or developmental disabilities. Counties are required to provide matching funds equal to 9.89% of their community aids allocations, although most counties significantly exceed this statutory requirement. Approximately 93% of community aids funding is distributed to counties through the basic county allocation (BCA). The BCA can be used to support any community aids-eligible services. The remainder of community aids funding is distributed through categorical allocations that counties use to support certain services for specific populations. These categorical allocations include funding for the family support program, the Alzheimer's family and caregiver support program, substance abuse prevention and treatment, community mental health and tribal child care.

Social Services Block Grant. A major source of federal funding for community aids is the social services block grant (SSBG) – Title XX of the Social Security Act. The SSBG is distributed to states on the basis of population to provide services directed toward at least one of five goals: (a) to prevent, reduce, or eliminate economic dependency; (b) to achieve or maintain self-sufficiency; (c) to prevent neglect, abuse or exploitation of children and adults; (d) to prevent or reduce inappropriate institutional care; and (e) to secure admission or referral for institutional care when other forms of care are not appropriate. There is no state match requirement for the SSBG. Approximately 86% of the state's SSBG allocation is budgeted in community aids. The remainder funds state operations and a small portion is used to fund the displaced homemaker program administered by the state technical college system.

TANF funding. When 1999 Wisconsin Act 9 (the 1999-01 biennial budget act) was enacted, states were authorized to use up to 10% of their federal temporary assistance for needy families (TANF) block grant funds in federal fiscal year 1999-2000 and 4.25% of their TANF funds in federal fiscal year 2000-01 for purposes consistent with the SSBG. If a state exercises this option, these TANF funds are no longer subject to TANF restrictions and instead are subject to SSBG restrictions. Wisconsin exercised this option in Act 9. Act 9 transferred \$31.8 million in 1999-00 and \$18.0 million in 2000-01 in TANF block grant funds from the Department of Workforce Development (DWD) to DHFS to fund community aids. The federal Consolidated Appropriations Act 2001 delayed the change from 10% to 4.25% until federal fiscal year 2001-02. Therefore, additional TANF funds could be converted to SSBG purposes in state fiscal year 2000-01. In April, 2001, the Joint Committee on Finance authorized an additional \$14,709,100 in TANF funds to be used for SSBG purposes in 2000-01, as allowed by federal law. TANF funding is currently budgeted as program revenue (PR) in DHFS.

In 2000-01, \$295,788,200 (all funds) is allocated for community aids. The following table identifies the current allocations by funding source. The table includes funding changes authorized by the Committee at its April, 2001, s. 13.10 meeting.

**Community Aids
Fiscal Year 2000-01**

GPR	\$174,475,100
Federal	
Title IV-E – foster care	\$41,645,900
Social services block grant	29,223,900
TANF block grant	32,646,800
Substance abuse block grant	11,318,700
Title IV-B – child welfare	3,964,400
Community mental health block grant	<u>2,513,400</u>
Total federal funding	\$121,323,100
Total (all funds)	\$295,788,200

GOVERNOR

Provide \$3,578,000 (\$174,700 GPR, -\$1,168,000 FED and \$4,571,300 PR) in 2001-02 and delete \$993,300 (\$4,746,000 GPR, -\$1,168,000 FED and -\$4,571,300 PR) in 2002-03 to reflect: (a) a reduction in the amount of TANF funding federal law permits a state to use for the same purposes as the SSBG; (b) anticipated reductions in the amount of federal SSBG funds the state will receive that would be budgeted for community aids; (c) the cost to continue foster care

rate increases approved in 1999 Wisconsin Act 9; and (d) the cost to maintain increased funding for the Alzheimer's family and caregiver support program approved in Act 9.

TANF/Social Services Block Grant Conversion. The federal Transportation Equity Act for the 21st Century (TEA-21), as amended by the federal Consolidated Appropriations Act 2001, reduced the maximum percentage of a state's TANF allocation that a state can use to fund SSBG eligible activities, from 10% in federal fiscal year 2000-01 to 4.25% in federal fiscal year 2001-02. Provide \$4,571,300 PR in 2001-02 to reflect this change in federal law that will occur in federal fiscal year 2001-02, rather than in 2000-01, as anticipated in 1999 Wisconsin Act 9. Provide \$4,571,300 GPR and delete \$4,571,300 TANF in 2002-03 to reduce TANF support for community aids to reflect this new federal limit and increase GPR support for community aids to fully offset the TANF reduction.

SSBG Reduction. TEA-21 reduced SSBG funding by 4.23% in federal fiscal year 2000-01. Delete \$1,189,500 FED annually to reflect that less funding is available from this source to support community aids (-\$1,169,500 FED annually) and Family Care (-\$20,000 FED).

Foster Care Rates. Provide \$58,200 GPR and \$21,500 FED annually to fully fund the 1% increase in foster care rate increases in Act 9 that took effect January 1, 2001, for which six months of funding was budgeted in Act 9.

Basic County Allocation. Delete references to 1999-01 funding allocations, and instead, specify that funding for the basic county allocation would be \$245,706,500 in both 2001-02 and in 2002-03 to reflect adjustments from the SSBG reduction, foster care rate increase and Milwaukee County's contribution for child welfare services.

Substance Abuse Prevention and Treatment (SAPT) Block Grant. Delete references to 1999-01 funding allocations, and instead, specify that not more than \$9,735,700 FED in SAPT funds would be distributed by DHFS to counties in each fiscal year to reflect an adjustment from Milwaukee County's contribution for child welfare services.

Alzheimer's Family and Caregiver Support Program (AFCSP). Provide \$116,500 GPR annually to fully support the AFCSP funding increase approved in Act 9. Delete references to 1999-01 funding allocations, and instead, authorize DHFS to distribute not more than \$2,342,800 in each fiscal year for this program.

DISCUSSION POINTS

Technical Adjustments and SSBG Surplus

1. The Governor's budget requires a number of technical corrections to reflect the administration's intent. These corrections are described below.
2. First, based on the amount of TANF funding that can be used for the same purposes

as the SSBG under federal law, funding in the bill for community aids should be reduced by \$4,571,300 PR in 2001-02 to reflect the administration's intent. DHFS, with DOA's concurrence, has identified this as a technical correction that should be made to the bill.

3. Second, the bill would provide DHFS \$13,514,900 in TANF funds for SSBG purposes under community aids, an amount that is \$20,900 greater than the amount DWD had assumed DHFS would use for this purpose. To address this problem, community aids funding in DHFS could be increased by \$20,800 in 2001-02 and reduced by the same amount in 2002-03. This change is permissible under federal law because the TANF base for 2001-02 is higher than had been projected under the Governor's bill.

4. Third, TANF funds that are used for SSBG purposes in community aids are currently budgeted in a PR-S appropriation in DHFS. However, DHFS receives these TANF funds directly from the U.S. Department of Health and Human Services, not from DWD. Consequently, the current PR-S appropriation for community aids in DHFS should be converted to a FED appropriation to correctly reflect the source of these funds.

5. In addition to these technical corrections, the Committee could consider increasing funding for community aids to reflect the availability of additional SSBG funds. After the Governor submitted his budget to the Legislature, Wisconsin received the official SSBG award letter for federal fiscal year 2000-01. Wisconsin was awarded \$498,500 more than the amount that had been assumed under the Governor's budget. The Committee could increase funding for community aids by \$498,500 FED annually to reflect the anticipated availability of these funds, as recommended by the administration.

6. If the Committee makes these changes to the bill, the statutory limit on the amount of community aids funding budgeted for the basic county allocation should be modified to specify that funding for the basic county allocation would be \$244,724,300 in 2001-02 and 2002-03.

TANF Funding

7. Receipt of the TANF high performance bonus in federal fiscal year 2001 increases the amount of TANF funding for the state in that fiscal year. According to federal officials, the state can calculate its SSBG transfer on this higher grant amount. The administration indicates that, for purposes of calculating the SSBG transfer, three-fourths of the high performance bonus funds are available in state fiscal year 2000-01 and one-fourth is available in 2001-02. This would allow a maximum TANF transfer of \$18,455,800 in 2001-02. After adjusting for the technical corrections identified above, an additional \$348,700 TANF would be available for expenditure in 2001-02 in community aids than identified under the Governor's budget.

8. The Committee needs to decide whether it wishes to preserve TANF funding or GPR funding. If the Committee decides to preserve the level of TANF funding, the Governor's proposed level of TANF funds converted to SSBG purposes would suffice. This would leave the \$348,700 in available TANF funds to transfer to SSBG purposes in DWD to be used for other

TANF eligible activities.

9. Alternatively, the Committee could allocate the maximum level of TANF funding available for SSBG purposes to DHFS for community aids and reduce the level of GPR proposed under the Governor’s budget by a corresponding amount. This would maintain the total level of community aids funding for counties under the Governor’s proposal. This alternative would free up GPR, which could be used for other purposes and require TANF funding to be reduced in DWD.

10. However, the Committee could also allocate the maximum level of TANF funding available for SSBG purposes (\$348,700) to DHFS for community aids and reduce the level of GPR in community aids by a corresponding amount. Additionally, the amount of GPR funds in DWD for child care subsidies could be increased by \$348,700 in 2001-02. The additional GPR in DWD would then be used to obtain \$507,800 in federal matching funds from the child care and development fund (CCDF).

Percentage Increases

11. In addition to any of the alternatives offered in the paper, the Committee could increase base funding for community aids, as adjusted for Family Care and the Governor’s proposed change in Milwaukee County’s contribution for child welfare services, equivalent to various percents of the basic county allocation, beginning with calendar year 2002.

ALTERNATIVES

A. Technical Adjustments and SSBG Surplus

Adopt all of the Governor’s recommendations relating to community aids, as modified to reflect the technical corrections identified in discussion points 2 through 6. Decrease funding in the bill by \$4,051,900 (\$23,156,000 FED and -\$27,207,900 PR) in 2001-02 and increase funding in the bill by \$477,600 (\$14,013,400 FED and -\$13,535,800 PR) in 2002-03.

Modification	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	\$37,169,400	-\$40,743,700	-\$3,574,300

B. TANF Funding

1. Provide \$348,700 FED in TANF funds and delete \$348,700 GPR for community aids in 2001-02. In addition, decrease federal TANF funding in DWD by \$348,700 in 2001-02.

Alternative B1: DHFS	GPR	FED	TOTAL
2001-03 FUNDING (Change to Bill)	-\$348,700	\$348,700	\$0

Alternative B1: DWD	FED
2001-03 FUNDING (Change to Bill)	- \$348,700

2. Provide \$348,700 FED in TANF funds to DHFS for community aids in 2001-02 and decrease the GPR community aids appropriation by a corresponding amount. Decrease funds appropriated in DWD for child care subsidies by \$348,700 FED in 2001-02. Increase the DWD child care subsidies appropriation by \$856,500 (\$348,700 GPR and \$507,800 FED) in 2001-02.

Alternative B2: DHFS	GPR	FED	TOTAL
2001-03 FUNDING (Change to Bill)	- \$348,700	\$348,700	\$0

Alternative B2: DWD	GPR	FED	TOTAL
2001-03 FUNDING (Change to Bill)	\$348,700	\$159,100	\$507,800

3. Take no action.

C. Percentage Increases

1. Starting in calendar year 2002, increase GPR base funding for community aids by the following amounts, based on a percent of the adjusted basic county allocation for 2001.

	<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>
a. 1% annual increase	\$1,223,200	\$3,681,900	\$4,905,100
b. 2% annual increase	2,446,500	6,140,600	8,587,100
c. 3% annual increase	3,669,700	8,599,200	12,268,900

2. Take no action.

Prepared by: Yvonne M. Arsenault