



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 #851

Temporary Assistance for Needy Families (TANF)

Kinship Care (DHFS -- Children and Families)

[LFB 2003-05 Budget Summary: Page 259, #4]

CURRENT LAW

Creation. The state's kinship care program was created in 1995 Wisconsin Act 289, which also created the Wisconsin Works program to replace the former aid to families with dependent children (AFDC) program. Under AFDC, non-legally responsible relatives (NLRR) who provided care for children were eligible for an AFDC payment based on the income of the child.

Eligibility and Benefits. The Department of Health and Family Services (DHFS) reimburses counties (other than Milwaukee County) for kinship care benefit payments counties make to eligible relatives. In Milwaukee County, DHFS makes these payments directly to eligible relatives. Kinship care relatives who provide care and maintenance for a child may receive a kinship care payment of \$215 per month if:

- The county or DHFS determines that there is a need for the child to be placed with the kinship care relative and that the placement with the relative is in the best interests of the child;
- The county or DHFS determines that the child meets one or more of the criteria for children in need of protection or services (CHIPS) or juveniles in need of protection or services (JIPS), or that the child would be at risk of meeting one or more of these criteria;
- The county or DHFS conducts a background investigation of the kinship care relative, any employee and prospective employee of the kinship care relative who has or would have regular contact with the child for whom kinship care payments would be made and any

other adult resident in the kinship care relative's home to determine if the kinship care relative, employee, prospective employee, or adult resident has any arrests or convictions that could adversely affect the child or the kinship care relative's ability to care for the child;

- The kinship care relative cooperates with the county or DHFS in the application process, including applying for other forms of assistance for which the kinship care relative may be eligible; and
- The child for whom the kinship care relative is providing care and maintenance is not receiving supplemental security income (SSI) benefits.

At least every 12 months, the county or DHFS reviews the case of a relative receiving kinship care to determine if the conditions under which the case was initially determined eligible still exist. If those conditions no longer exist, the county or DHFS discontinues making the kinship care payments.

Eligibility for kinship care is different from eligibility for the former AFDC payment to a non-legally responsible relative in two ways. First, there is no financial eligibility requirement for kinship care, other than prohibiting payment on behalf of children who receive SSI payments. Second, the relative and the child placed in the relative's home must meet certain nonfinancial criteria, as described above, in order to be eligible for a kinship care payment. Under AFDC, there were no eligibility requirements other than the financial criteria and the requirement that the child actually reside in the relative's home.

Funding. Kinship care benefit payments are funded with federal temporary assistance for needy families (TANF) block grant funds transferred to DHFS from the Department of Workforce Development (DWD). In 2002-03, \$24,852,600 PR was budgeted in DHFS to fund kinship care benefit payments. As of February, 2003, TANF-funded kinship care payments were made on behalf of approximately 8,440 children statewide.

GOVERNOR

Reduce funding by \$696,900 PR annually to reflect the administration's estimate of the amount of funding that will be required to support kinship care payments in the 2003-05 biennium. Under this item, a total of \$22,501,100 would be budgeted for kinship care benefits in each year.

Reduce from \$24,852,600 to \$24,155,700 the annual statutory allocation of TANF funds that would be budgeted to support the kinship care program. This new amount would reflect annual funding that would be budgeted to support kinship care benefits (\$22,501,100), assessments (\$1,464,000), and administrative costs (\$190,600 annually).

DISCUSSION POINTS

Funding Estimate

1. For the period between January, 2001, through February, 2003 (the last month for which caseload data are available), DHFS and counties made kinship care payments on behalf of an average of 8,552 children monthly, including 5,215 children in Milwaukee County and 3,337 children in other counties. The data do not indicate a trend in monthly caseload changes. Consequently, the total amount of funding required to support kinship care benefit payments in the 2003-05 biennium can be estimated by applying average caseloads during this period, adjusting this number to reflect known waiting lists and county-funded payments, and applying the \$215 monthly payment.

2. By using this method, it is estimated that the costs for kinship care benefit payments in the 2003-05 biennium will total \$22,467,600 PR annually, or \$33,500 less in each year than the amounts that would be provided in the bill. Consequently, if the Committee wished to provide an amount of funding for benefit payments that reflect the statewide estimated costs of the program, it could modify the bill by reducing funding by \$33,500 PR in each year to support kinship care benefits in the 2003-05 biennium.

3. The program is not structured or administered as a statewide benefits program with a single budget. For this reason, although total funding provided for the program may be sufficient on a statewide basis to support the kinship care program, individual counties and tribes may have surpluses and shortfalls in their kinship care budgets when their actual caseloads do not correspond with the initial allocations they receive. DHFS can make interim adjustment to counties' allocations that can reduce, to some extent, the problem.

Level of Funding

4. Alternatively, the Committee could provide any level of funding for the program. DHFS and the counties have administered the kinship care program as a non-entitlement program. Under administrative rule, DHFS and counties are allowed to place eligible relatives for non-court-ordered placements on a waiting list. Based on this, the Committee may budget any funding amount for the program that it determines appropriate, weighing the needs of eligible families with other uses of TANF and county funds.

5. In past biennial budget deliberations, the Committee has budgeted funding to support the estimated statewide caseload. Even though, as previously indicated, this method is likely to result in some counties maintaining waiting lists for benefits payments, this method of budgeting for the program may effectively control state kinship care benefits costs because DHFS and counties may only expend their allocated amounts, or supplement its allocation with county funds to support benefits for more individuals.

6. However, this method of budgeting is not used for all county-administered human services programs. Funding for other county-administered human services programs, such as the

community options program and the family support program, is determined by the Legislature based on available resources. These programs allow counties to place eligible individuals on waiting lists for services if funding is insufficient to meet program demand.

7. In light of other demands on TANF funds in this budget, the Committee could reduce funding for kinship care benefits. If this amount of funding is insufficient to make payments to all eligible relatives, counties could either place the relatives on a waiting list or provide county funds to support additional kinship care benefit payments.

8. For example, the Committee could reduce the overall level of funding for kinship care benefits by 5% or 10%, beginning January 1, 2004, from the current estimate of funding needed to fully support the program on a statewide basis. These alternatives would make it more likely that counties would place eligible individuals on waiting lists. Table 1 shows the amount of TANF savings if the overall funding level were reduced and the potential number of relatives that would be placed on a waiting list. However, since counties have the option of providing county funds to support kinship care benefit payments, the actual number of relatives on waiting lists could vary from the numbers shown in the table.

TABLE 1
Alternative Kinship Care Funding Amounts and Waiting Lists

Reduction Amount	5%			10%		
	2003-04	2004-05	Biennium	2003-04	2004-05	Biennium
Benefits Cost	\$21,905,900	\$21,344,200	\$43,250,100	\$21,344,200	\$20,220,800	\$41,565,000
Estimated monthly served						
Milwaukee County	5,084	4,954	10,038	4,954	4,693	9,647
Potential no. on waiting lists	130	261	391	261	521	782
Non-Milwaukee Counties	3,407	3,319	6,726	3,319	3,144	6,464
Potential no. on waiting lists	87	175	262	175	349	524
Statewide	8,491	8,273	16,764	8,273	7,838	16,110
Potential no. on waiting lists	218	435	653	435	871	1,306
Change to Base	-\$1,292,100	-\$1,853,800	-\$3,145,900	-\$1,853,800	-\$2,977,200	-\$4,831,000
Change to Bill	-\$595,200	-\$1,156,900	-\$1,752,100	-\$1,156,900	-\$2,280,300	-\$3,437,200

Monthly Benefit Level

9. Alternatively, to reduce program costs and increase the amount of TANF funds available to support other programs, the Committee could reduce the monthly payment amount from its current level of \$215 per child per month. This would support payments for the projected number of individuals identified in the first section of this paper (approximately 8,700 after

adjusting for relatives on waiting lists and county-funded payments) to receive benefit payments, but would allow the Committee to reduce the amount of TANF funds needed to support those payments. Table 2 shows the amount of TANF savings if the benefit level was reduced to \$200 or \$185 per child per month. Since counties receive their kinship care benefit allocation on a calendar year basis, the estimates assume an effective date of January 1, 2004.

TABLE 2

Alternative Kinship Care Benefit Amounts

Monthly Benefit Level	\$200			\$185		
	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
Benefits Cost	\$21,683,830	\$20,900,077	\$42,583,907	\$20,900,077	\$19,332,571	\$40,232,648
Change to Base	-1,514,170	-2,297,923	-3,812,093	-2,297,923	-3,865,429	-6,163,352
Change to Bill	-817,270	-1,601,023	-2,418,293	-1,601,023	-3,168,529	-4,769,552

10. The W-2 legislation replaced the AFDC/NLRR benefit with the kinship care benefit. Under NLRR, the eligibility for benefits was different from the current kinship care requirements. In addition, the benefit level was different. Under NLRR, the maximum monthly payment a family received was based on the number of eligible children in a household: \$248 for one child; \$440 for two children; \$517 for three children; and \$617 for four children. Conversely, under kinship care, the monthly benefit amount is \$215 per child. Consequently, the kinship care relative receives \$430 for two children, \$645 for three children, and \$860 for four children.

11. The Committee could also consider increasing the monthly kinship care benefit. The benefit level has been \$215 per month since it was created in 1995 Act 289 and thus, has not been adjusted to reflect increases in the cost of living. In addition, under court-ordered kinship care, if a relative were not available, the child would be placed in a foster home. Foster home rates are higher than the monthly kinship care rates, partially to reflect the additional requirements that are placed on foster homes. The basic foster care maintenance rate ranges between \$302 and \$391 per child per month, depending on the age of the child. Therefore, the Committee could consider increasing the monthly kinship care benefit to \$230 per child to bring the kinship care rate closer to the basic foster care maintenance rate.

12. Table 3 shows the additional amount of TANF that would be needed if the benefit level were increased to \$230 per child per month. These estimates also assume an effective date of January 1, 2004.

TABLE 3

Funding Required by Increasing Kinship Care Benefit Amount to \$230 per Month

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
Benefits Cost	\$23,251,300	\$24,035,100	\$47,286,400
Change to Base	53,300	837,100	890,400
Change to Bill	750,200	1,534,000	2,284,200

ALTERNATIVES

Funding under Current Law

1. Approve the Governor's recommended funding level for kinship care benefits.
2. Reduce funding for kinship care benefits by \$33,500 annually to reflect current estimates of kinship care payments made by DHFS and the counties. Total funding for kinship care benefits would be \$22,467,600 PR annually. Reduce FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation of TANF funds for the program accordingly.

<u>Alternative 2: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$67,000

<u>Alternative 2: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$67,000

Reduce Funding Level

3. Reduce funding for kinship care benefits by \$595,200 in 2003-04 and by \$1,156,900 in 2004-05 to reflect a 5% reduction in annual funding for kinship care benefits, beginning January 1, 2004. Total funding for kinship care benefits would be \$21,905,900 PR in 2003-04 and \$21,344,200 PR in 2004-05. Reduce FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation of TANF funds for the program accordingly.

<u>Alternative 3: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$1,752,100

<u>Alternative 3: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$1,752,100

4. Reduce funding for kinship care benefits by \$1,156,900 in 2003-04 and by \$2,280,300 in 2004-05 to reflect a 10% reduction in annual funding for kinship care benefits, beginning January 1, 2004. Total funding for kinship care benefits would be \$21,344,200 PR in 2003-04 and \$20,220,800 PR in 2004-05. Reduce FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation of TANF funds for the program accordingly.

<u>Alternative 4: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$3,437,200

<u>Alternative 4: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$3,437,200

Monthly Benefit Level

5. Reduce the monthly kinship care benefit level to \$200 per child, beginning January 1, 2004. In addition, reduce funding for kinship care benefits by \$817,300 in 2003-04 and by \$1,601,000 in 2004-05 to reflect estimates of payments made by DHFS and counties based on this lower rate. Reduce FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation for the program accordingly.

<u>Alternative 5: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$2,418,300

<u>Alternative 5: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$2,418,300

6. Reduce the monthly kinship care benefit level to \$185 per child, beginning January 1, 2004. In addition, reduce funding for kinship care benefits by \$1,601,000 in 2003-04 and by \$3,168,500 in 2004-05 to reflect estimates of payments made by DHFS and counties based on this lower rate. Reduce FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation of TANF funds for the program accordingly.

<u>Alternative 6: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$4,769,500

<u>Alternative 6: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	- \$4,769,500

7. Increase the monthly kinship care benefit level to \$230 per child, beginning January 1, 2004. In addition, increase funding for Kinship Care benefits by \$750,200 in 2003-04 and by \$1,534,000 in 2004-05 to reflect estimates of payments made by DHFS and counties based on this higher rate. Increase FED TANF funding in DWD by corresponding amounts. Modify the statutory allocation of TANF for the program accordingly.

<u>Alternative 7: DHFS</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	\$2,284,200

<u>Alternative 7: DWD</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	\$2,284,200

Prepared by: Yvonne M. Onsager