



## Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #185

### **Milwaukee Child Welfare and Title IV-E Waiver (Children and Families -- Children and Families)**

[LFB 2013-15 Budget Summary: Page 95, #1; Page 101, #8]

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#### **CURRENT LAW**

##### **Bureau of Milwaukee Child Welfare**

The Department of Children and Families (DCF) 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 departments of human/social services. 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, it contracts with private vendors to provide many of the services children and families receive. Therefore, the BMCW budget includes funding for state operations and for contracted services, as well as out-of-home placement costs for children in out-of-home care in Milwaukee County. Base funding for BMCW is \$126,619,700 (\$78,294,200 GPR, \$22,583,300 FED, and \$25,473,200 PR). Of this amount, \$17,926,500 (\$14,965,100 GPR, \$2,426,700 FED, and \$534,700 PR) is for BMCW operations and \$108,693,200 (\$63,329,100 GPR, \$20,425,600 FED, and \$24,938,500 PR) is for BMCW aids.

The federal funding is available under Title IV-E of the federal Social Security Act and from the temporary assistance for needy families (TANF) block grant. Program revenue consists of a portion of Milwaukee County's share of child welfare costs from a reduction in its shared revenue payments, federal substance abuse prevention and treatment block grant funds transferred from the Department of Health Services, and collections. Collections are

supplemental security income (SSI), Social Security Administration (SSA) survivor and disability payments, and child support payments for children in out-of-home care that are collected and retained by the state to offset the cost of providing out-of-home care to those children.

### **Title IV-E Waiver**

The federal Child and Family Services Improvement and Innovation Act of 2011 reauthorized the federal Department of Health and Human Services (DHHS) to issue up to 10 Title IV-E waivers. Wisconsin applied for, and was granted on October 1, 2012, a waiver to implement a post-permanency program statewide.

In order to reduce the rate of reentry into out-of-home care, the BMCW contracts with local agencies currently require post-permanency services to be provided to families after reunification. With these additional services, DCF anticipates savings in out-of-home care costs greater than the amount expended for post-permanency services. These services are generally not eligible for matching funds under Title IV-E because one of the requirements to be eligible for Title IV-E funds is that the child must be in out-of-home care. Therefore, these services under the BMCW contracts are funded with state monies.

The waiver for the post-permanency program is intended to demonstrate that post-permanency services would reduce overall child welfare costs by reducing reentry into out-of-home care. The waiver allows the state to receive Title IV-E matching funds on post-permanency services. The waiver is cost-neutral in that DCF would spend funds on post-permanency services statewide in an amount equal to the savings that are achieved from reducing the out-of-home care re-entry rate.

### **GOVERNOR**

Reduce funding by \$3,050,600 (-\$9,328,200 GPR, \$1,589,500 FED, and \$4,688,100 PR) in 2013-14 and by \$3,050,600 (-\$4,828,900 GPR, \$1,558,400 FED, and \$219,900 PR) in 2014-15 to fund projected costs of aids expenses administered by BMCW.

This would do the following: (a) provide accumulated one-time revenue from collections and correspondingly decrease GPR funding for BMCW aids (-\$3,000,000 GPR and \$3,000,000 PR in 2013-14); (b) replace GPR funding with an increase in the amount of shared revenue that Milwaukee County contributed to child welfare costs (-\$1,688,100 GPR and \$1,688,100 PR in 2013-14 and -\$219,900 GPR and \$219,900 PR in 2014-15); (c) replace GPR with an increase in federal Title IV-E funds (-\$699,100 GPR and \$699,100 FED in 2013-14 and -\$665,900 GPR and \$665,900 FED in 2014-15); (d) decrease funding for projected decreases in overall costs based on caseload and cost per placement averages from March, 2011, through May, 2012, for children in out-of-home care and for wraparound services (-\$3,941,000 GPR and -\$581,000 FED in 2013-14 and -\$3,943,100 GPR and -\$578,900 FED in 2014-15); and (e) increase Title IV-E funding for ongoing case management contracts and foster parent training (\$1,471,400 FED annually).

In addition, in order to implement the new statewide post-permanency program under the Title IV-E waiver, authorize DCF to distribute the savings achieved from providing post-permanency services to county departments for services for children and families to prevent the reentry of children into out-of-home care. Modify the Milwaukee child welfare services; aids appropriation to authorize expenditures to non-Milwaukee counties for this purpose and rename the appropriation the child welfare services; aids appropriation. Include this new appropriation as a fund source for children and family aids distributed to counties.

## **DISCUSSION POINTS**

1. BMCW aids funding supports three categories of expenditures: (a) contracts; (b) other services; and (c) out-of-home care costs. BMCW currently contracts with vendors to provide a variety of activities, including (but not limited to) case management services, ongoing services (services to support families in achieving safety and permanence for their children), out-of-home and adoption placement services (recruitment and licensing of foster and adoptive families), independent investigations, domestic violence services, court services, and foster parent training. Base funding for these contracts is approximately \$47.4 million (all funds) annually. The bill would increase funding by \$1,045,100 FED annually. The changes are due to a more accurate reflection of the current contract costs and the amount of Title IV-E funds available to support the contract costs.

2. Part of the BMCW budget provides funding for other services, which includes intensive in-home services and the wraparound program. Intensive in-home 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. These services are funded with TANF funds of \$6,350,300 annually.

3. The wraparound program 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 bill reduces funding by \$1,404,900 annually based on actual expenditures in 2011-12 of \$8,939,700 (Alternative A1).

4. However, based on the most recent one-year period for which expenditure data is available (May, 2012, through April, 2013), average monthly expenditures are \$793,500, for an annualized cost for the wraparound program of \$9,522,100. The Committee could provide \$582,400 (\$545,100 GPR and \$37,300 FED) annually to reflect more recent estimates of expenditures (Alternative A2).

5. In addition, expenditures during the six-month period from November, 2012, through March, 2013, have been increasing. The monthly average for this six-month period was \$846,400, for an annualized amount of \$10.2 million, which is similar to base funding of \$10.3 million. The Committee could increase funding by \$1,404,900 (\$1,315,100 GPR and \$89,800 FED) annually to restore base funding to reflect the increased expenditures under the wraparound

program.

6. The remaining BMCW funding supports out-of-home care costs. The costs of out-of-home care account for nearly 40% of BMCW's annual aids and contract costs. These costs are the most difficult to predict and include costs for foster care (levels one through four), group homes, residential care centers (RCCs) and assessment centers. Previously, BMCW provided funding for assessment homes, assessment centers, and stabilization centers. In July of 2010, BMCW stopped using assessment homes. In July of 2012, all stabilization centers became assessment centers. Beginning January of 2013, BMCW redesigned how it was using these facilities.

7. The bill provides funding of \$1,525,400 for assessment centers based on actual expenditures in 2011-12. The Committee could approve the Governor's proposal to provide funding for assessment centers based on actual expenditures in 2011-12 (Alternative B1). However, the use of assessment centers has changed since 2011-12.

8. BMCW currently contracts with three separate facilities. Each facility has a different rate and offers a different set of services. Table 1 shows the flat monthly fee, the average number of bed days in a month, the daily rate per bed day, and the total annual cost for each assessment center estimated for each year in the 2013-15 biennium.

**TABLE 1**

**Projected Assessment Center Costs  
Alternative B2**

<u>Center</u>	<u>Monthly Rate</u>	<u>Average Number of Bed Days in Month</u>	<u>Daily Rate Per Bed Day</u>	<u>Total Annual Cost</u>
Stages	\$0	303	\$250	\$909,000
A Positive Outlook	16,500	119	75	305,100
Mercy House	12,000	50	75	<u>189,000</u>
Total				\$1,403,100

9. The Committee could reduce funding by \$122,300 (-\$97,300 GPR and -\$25,000 FED) annually to reflect estimated expenditures based on the estimated costs of these three facilities providing assessment center services in the 2013-15 biennium under the new contracts (Alternative B2).

10. Alternatively, the total cost for assessment centers under the new contract to-date (January, 2013, through April, 2013) has been \$443,000, for an annualized amount of \$1,329,000. The Committee could reduce funding by \$196,400 (-\$156,200 GPR and -\$40,200 FED) annually to reflect actual expenditures from the current contracts (Alternative B3). However, DCF indicates that since the redesign of the contract, there has been an increased use of these centers. Therefore,

either Alternative B1 or B2 may be more appropriate.

11. Table 2 identifies the estimates of out-of-home care expenses BMCW would pay in each year of the 2013-15 biennium under the bill, by placement type for the remaining out-of-home care placements. The table shows the average monthly caseload, the average monthly cost per child, and the total annual cost for foster care, group homes, and residential care centers.

**TABLE 2**  
**Projected Out-of-Home Care Costs**  
**Alternative C1**

	2013-14			2014-15		
	Average Number of Children	Average Monthly Cost per Child	Total Annual Cost	Number of Children	Average Monthly Cost per Child	Total Annual Cost
Level 1 and 2 Foster Care	786	\$539	\$5,083,800	786	\$539	\$5,083,800
Level 3 Foster Care	391	2,626	12,321,200	391	2,626	12,321,200
Level 4 Foster Care	133	2,964	4,730,500	133	2,964	4,730,500
Group Homes	143	5,412	9,287,000	143	5,412	9,287,000
Residential Care Centers	<u>71</u>	8,713	<u>7,423,500</u>	<u>71</u>	8,713	<u>7,423,500</u>
Subtotal	1,524		\$38,846,000	1,524		\$38,846,000

12. The bill assumes caseloads and costs based on average caseloads and expenditures from June, 2011, through May, 2012. However, the average monthly number of children in out-of-home care has declined more recently. As shown in the table above, under the bill, the total monthly average caseload is estimated at 1,524. From the period covering May, 2012, through April, 2013, the total monthly average caseload was 1,426. Using the more recent caseload and expenditure data, expenditures for foster care, group homes, and RCCs are estimated at \$31.0 million annually.

13. At the same time, though, services in Milwaukee County underwent a contract redesign with BMCW beginning in calendar year (CY) 2012. Under these contracts, case management agencies are required to provide 12 months of post-permanency services to help ensure the family is stable and transitions smoothly and successfully out of the child welfare system in order to prevent the children from reentering out-of-home care. The savings associated with preventing children from reentering out-of-home care due to these enhanced services are beginning to be seen in CY 2013.

14. DHHS periodically reviews each state's child welfare system. States are required to pass these reviews and could receive a financial penalty for failing to pass such a review. Wisconsin's most recent child and family service review (CFSR) was conducted in April of 2010. The state was not in substantial conformity with all seven of the safety, performance, and well-being outcomes. According to DCF, the state's most challenging area is reentry of children into out-of-home care. DCF indicates that for the time period from March, 2011, through April, 2012, 20.1%

of children who were in out-of-home care in Wisconsin reentered out-of-home care within 12 months of their discharge from out-of-home care. The federal benchmark allows for 9.9%.

15. To help address this issue in Milwaukee County, BMCW required 12 months of post-permanency services as part of their contracts in CY 2012 in order to provide sufficient support for the families to prevent reentry of the children into out-of-home care. Case managers develop an individualized post-permanency plan for the 12-month period that follows reunification of the family. Services included in the plan depend on the needs of each child and family and may include crisis stabilization, in-home therapy, alcohol and drug abuse treatment, mental health services, respite care, transportation, and referrals to other community resources. Anticipating success with this strategy, DCF applied for a Title IV-E waiver to allow any savings in Milwaukee County from lowering the reentry rate due to the post-permanency services to be used to expand the program statewide. The Title IV-E waiver allows the state to receive Title IV-E matching funds for expenditures on post-permanency services (which are not eligible for Title IV-E matching funds under current law).

16. Due, in large part, to the interaction between the BMCW budget and savings with the Title IV-E waiver, DCF has expressed concerns with reestimates of 2013-15 expenditures for BMCW based on the most recent one-year period of caseload and expenditure information. Instead, DCF has suggested three other methods of calculating reestimates. Table 3 identifies the estimates of out-of-home care expenses BMCW would pay in each year of the 2013-15 biennium under Alternative C2, by placement type for the remaining out-of-home care placements.

**TABLE 3**

**Projected Out-of-Home Care Costs  
Alternative C2**

	2013-14			2014-15		
	Average Number of <u>Children</u>	Average Monthly <u>Cost per Child</u>	Total <u>Annual Cost</u>	Number of <u>Children</u>	Average Monthly Cost <u>per Child</u>	Total <u>Annual Cost</u>
Level 1 and 2 Foster Care	859	\$554	\$5,710,700	880	\$568	\$5,999,800
Level 3 Foster Care	299	2,590	9,302,500	307	2,655	9,773,500
Level 4 Foster Care	104	3,594	4,464,900	106	3,684	4,691,000
Group Homes	136	4,198	6,866,800	140	4,302	7,214,400
Residential Care Centers	<u>64</u>	8,227	<u>6,274,100</u>	<u>65</u>	8,443	<u>6,591,700</u>
Subtotal	1,426		\$32,619,000	1,498		\$34,270,400

17. Alternative C2 assumes that the most recent one-year period average caseload and costs would increase by 2.5% in 2013-14 and by another 2.5% in 2014-15. The Committee could reduce funding by \$6,227,000 (-\$5,105,600 GPR and -\$1,121,400 FED) in 2013-14 and \$4,575,600 (-\$3,771,800 GPR and -\$803,800 FED) in 2014-15.

18. Table 4 identifies the estimates of out-of-home care expenses BMCW would pay in

each year of the 2013-15 biennium under Alternative C3, by placement type for the remaining out-of-home care placements.

**TABLE 4**

**Projected Out-of-Home Care Costs  
Alternative C3**

	2013-14			2014-15		
	Average Number of <u>Children</u>	Average Monthly Cost per Child	Total <u>Annual Cost</u>	Number of <u>Children</u>	Average Monthly Cost per Child	Total <u>Annual Cost</u>
Level 1 and 2 Foster Care	825	\$531	\$5,259,200	825	\$531	\$5,259,200
Level 3 Foster Care	316	2,765	10,498,800	316	2,765	10,498,800
Level 4 Foster Care	115	3,582	4,939,800	115	3,582	4,939,800
Group Homes	140	4,402	7,372,700	140	4,402	7,372,700
Residential Care Centers	<u>64</u>	8,444	<u>6,484,900</u>	<u>64</u>	8,444	<u>6,484,900</u>
Subtotal	1,460		\$34,555,400	1,460		\$34,555,400

19. Alternative C3 reflects the average caseloads and costs for CY 2012 and assumes no growth from these averages in 2013-14 and 2014-15. The Committee could reduce funding by \$4,290,600 (-\$3,567,600 GPR and -\$723,000 FED) in 2013-14 and \$4,290,600 (-\$3,570,500 GPR and -\$720,100 FED) in 2014-15.

20. Table 5 identifies the estimates of out-of-home care expenses BMCW would pay in each year of the 2013-15 biennium under Alternative C4, by placement type for the remaining out-of-home care placements.

**TABLE 5**

**Projected Out-of-Home Care Costs  
Alternative C4**

	2013-14			2014-15		
	Average Number of <u>Children</u>	Average Monthly Cost per Child	Total <u>Annual Cost</u>	Number of <u>Children</u>	Average Monthly Cost per Child	Total <u>Annual Cost</u>
Level 1 and 2 Foster Care	846	\$544	\$5,525,500	867	\$558	\$5,805,200
Level 3 Foster Care	324	2,834	11,030,300	332	2,905	11,588,800
Level 4 Foster Care	118	3,672	5,189,800	121	3,763	5,452,600
Group Homes	143	4,512	7,746,000	147	4,624	8,138,100
Residential Care Centers	<u>66</u>	8,655	<u>6,813,200</u>	<u>67</u>	8,871	<u>7,158,200</u>
Subtotal	1,497		\$36,304,800	1,534		\$38,142,900

21. Alternative C4 uses the average caseloads and costs for CY 2012 as base funding and assumes growth in caseloads and costs of 2.5% in 2013-14 and another 2.5% in 2014-15. The Committee could reduce funding by \$2,541,200 (-\$2,152,400 GPR and -\$388,800 FED) in 2013-14 and \$703,100 (-\$666,000 GPR and -\$37,100 FED) in 2014-15

22. On the other hand, the state is required to cover the costs of out-of-home care. The Committee may wish to adopt the Governor's proposal to ensure sufficient funds are available for out-of-home care placements for children in Milwaukee County. Any savings would be redistributed to the statewide post-permanency program pursuant to the Title IV-E waiver.

**ALTERNATIVES**

**A. Wraparound Services**

1. Adopt the Governor's recommended level of funding for wraparound services based on 2011-12 actual expenditures. Funding for wraparound services would total \$8,939,700 annually.

2. Modify the Governor's recommended level of funding for wraparound services to provide \$582,400 (\$545,100 GPR and \$37,300 FED) annually based on the expenditures from May, 2012, through April, 2013. Funding for wraparound services would total \$9,522,100 annually.

<b>ALT A2</b>	<b>Change to Bill Funding</b>
GPR	\$1,090,200
FED	<u>74,600</u>
Total	\$1,164,800

3. Delete the Governor's recommended changes to the level of funding for wraparound services. Funding for wraparound services would total \$10,344,600 annually.

<b>ALT A3</b>	<b>Change to Bill Funding</b>
GPR	\$2,630,200
FED	<u>179,600</u>
Total	\$2,809,800

**B. Assessment Centers**

1. Adopt the Governor's recommended level of funding for assessment centers based on 2011-12 actual expenditures. Funding for assessment centers would total \$1,525,400 annually.

2. Modify the Governor's recommended level of funding for assessment centers based on projected new contract costs in 2013-15. Reduce funding by \$122,300 (-\$97,300 GPR and -\$25,000 FED) annually. Funding for assessment centers would total \$1,403,100 annually.



<b>ALT B2</b>	<b>Change to Bill Funding</b>
GPR	- \$194,600
FED	<u>- 50,000</u>
Total	- \$244,600

3. Modify the Governor's recommended level of funding for assessment centers based on actual expenditures under the new contracts from January, 2013, through April, 2013. Reduce funding by \$196,400 (-\$156,200 GPR and -\$40,200 FED) annually. Funding for assessment centers would total \$1,329,000 annually.

<b>ALT B3</b>	<b>Change to Bill Funding</b>
GPR	- \$312,400
FED	<u>- 80,400</u>
Total	- \$392,800

### **C. BMCW Out-of-Home Care Costs**

1. Adopt the Governor's recommendation to reduce funding by \$2,772,800 (-\$2,352,000 GPR and -\$420,800 FED) in 2013-14 and \$2,772,800 (-\$2,353,800 GPR and -\$419,000 FED) in 2014-15 based on average caseloads and expenditures from June, 2011, through May, 2012. Funding would total \$38,846,000 annually, as shown in Table 2.

2. Modify the Governor's recommendation to reduce funding by \$6,227,000 (-\$5,105,600 GPR and -\$1,121,400 FED) in 2013-14 and \$4,575,600 (-\$3,771,800 GPR and -\$803,800 FED) in 2014-15 to reflect that the most recent one-year period average caseload and costs would increase by 2.5% in 2013-14 and by another 2.5% in 2014-15. Funding would total \$32,619,000 in 2013-14 and \$34,270,400, as shown in Table 3.

<b>ALT C2</b>	<b>Change to Bill Funding</b>
GPR	- \$8,877,400
FED	<u>- 1,925,200</u>
Total	- \$10,802,600

3. Modify the Governor's recommendation to reduce funding by \$4,290,600 (-\$3,567,600 GPR and -\$723,000 FED) in 2013-14 and \$4,290,600 (-\$3,570,500 GPR and -\$720,100 FED) in 2014-15 to reflect average caseload and costs in CY 2012 and no additional growth in 2013-14 or 2014-15. Funding would total \$34,555,400 annually as shown in Table 4.

<b>ALT C3</b>	<b>Change to Bill Funding</b>
GPR	- \$7,138,100
FED	<u>- 1,443,100</u>
Total	- \$8,581,200

4. Modify the Governor's recommendation to reduce funding by \$2,541,200 (-\$2,152,400 GPR and -\$388,800 FED) in 2013-14 and \$703,100 (-\$666,000 GPR and -\$37,100 FED) in 2014-15 to reflect that average caseload and costs would increase by 2.5% in 2013-14 and by another 2.5% in 2014-15 from CY 2012 averages. Funding would total \$36,304,800 in 2013-14 and \$38,142,900, as shown in Table 5.

<b>ALT C4</b>	<b>Change to Bill Funding</b>
GPR	- \$2,818,400
FED	<u>- 425,900</u>
Total	- \$3,244,300

Prepared by: Kim Swissdorf