



Legislative Fiscal Bureau

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June 24, 2008

TO: Members,
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services: Section 13.10 Request to Transfer Funds to Support Out-of-Home Placements of Children in Milwaukee County -- Agenda Item IV

REQUEST

The Department of Health and Family Services (DHFS) requests a transfer of \$2,138,000 GPR from the appropriation that supports state-funded foster care and adoption assistance payments [s. 20.435(3)(dd)] to the appropriation that supports payments to individuals and agencies that provide child protective services in Milwaukee County [s. 20.435 (3)(cx)].

This request is intended to partially address a projected \$7,938,300 GPR shortfall due to higher costs of paying foster parents and other providers that serve children who have been removed from their homes due to abuse or neglect, compared to the amounts budgeted in 2007 Wisconsin Act 20 (the 2007-09 biennial budget act). To address the remainder of the projected shortfall (\$5,800,300 GPR), DHFS intends to: (a) use unexpended funds allocated for calendar year 2007 contracts that remained available in 2007-08 (\$2,340,600 GPR); and (b) make a permanent change in the state fiscal year to which June out-of-home care expenses are assigned, so that, beginning in 2007-08, these expenses will be paid in the same fiscal year in which the expenses are billed (rather than incurred, as under current practice), resulting in a one-time savings of \$3,459,700 GPR in 2007-08.

BACKGROUND

The Department's Bureau of Milwaukee Child Welfare (BMCW) administers child welfare services in Milwaukee County. Children and families that reside in all other counties of the state receive child welfare services through county human services and social services departments. 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.

BMCW contracts with private vendors to provide many of the services children and families receive, including case management services, ongoing services (services provided to children in out-of-home care that are intended to assist children and their families in achieving goals identified in permanency plans), out-of-home foster care and adoption placement services, independent investigations, permanency planning reviews, and court services. Funding for these contracted services is budgeted in the same appropriations DHFS uses to pay families and facilities that serve children in out-of-home care.

The costs of some services, including payments to foster parents and facilities that provide out-of-home care, are partially supported with federal matching funds the state receives under Title IV-E of the Social Security Act. In addition, the costs of some services, including safety services (services available to families where threats to children have been identified, but the BMCW assessment unit has determined that the children can remain at home safely) and prevention services are supported with temporary assistance to needy families (TANF) funds.

Program responsibilities and funding related to child welfare services will transfer from DHFS to the Department of Children and Families (DCF) on July 1, 2008.

ANALYSIS

Table 1 identifies GPR amounts budgeted for out-of-home care services, services for families served by BMCW, and contracted services in 2007-08 under Act 20.

TABLE 1
BMCW Out-of-Home Care Services, Services to Families, and Contracts
Act 20 Budgeted Amounts

<u>Placement or Service</u>	<u>Average Number of Children</u>	<u>Average Monthly Cost per Child</u>	<u>Total Cost*</u>	<u>GPR</u>	<u>FED</u>
Family Foster Care	1,457	\$495	\$8,658,200	\$6,439,700	\$2,218,500
Treatment Foster Care	298	2,597	9,295,500	6,913,700	2,381,800
Residential Care Centers	33	7,518	2,999,600	2,597,100	402,500
Group Homes	88	4,477	4,714,000	4,081,500	632,500
Subsidized Guardianship	129	557	863,200	642,000	221,200
Assessment Homes and Centers	79	3,467	3,284,600	3,284,600	0
Subtotal	2,085		\$29,815,100	\$23,958,600	\$5,856,500
Act 20 Foster Care Rate Increase			\$209,400	\$155,900	\$53,500
Total for Placement Services			\$30,024,500	\$24,114,500	\$5,910,000
	<u>Average Number of Families</u>	<u>Average Monthly Cost per Family</u>	<u>Total Cost</u>	<u>GPR</u>	<u>FED</u>
Safety Services	360	\$1,205	\$5,205,000	\$0	\$5,205,000
Wraparound Services	216	3,991	10,344,600	9,407,100	937,500
Total Services for Families	576		\$15,549,600	\$9,407,100	\$6,142,500
Contracts			\$41,658,500	\$33,052,500	\$8,606,000
Grand Total			\$87,232,600	\$66,574,100	\$20,658,500

*Numbers may not add due to rounding.

Table 1 shows that, of the total GPR funding budgeted in Act 20 for these services (\$66.6 million):

- Approximately \$24.1 million, or 36.2%, is budgeted to pay foster care families and facilities for care they provide to children who have been removed from their homes, including temporary placements where children's needs are assessed.
- Approximately \$9.4 million, or 14.1% is budgeted for Wraparound Milwaukee, a managed care program operated by Milwaukee County's Behavioral Health Division that provides services to children and adolescents who have serious emotional disorders and who are in immediate risk of residential or correctional placement or psychiatric hospitalization; and
- Approximately \$33.0 million, or 49.7%, is budgeted to fund other contracted services purchased by BMCW. Attachment 1 to this paper lists the amounts budgeted in Act 20 for each of these contracted services in 2008-09.

Based on actual expenditure data through April, 2008, it is estimated that GPR-funded payments for out-of-home care services provided in 2007-08, excluding payments for assessment and stabilization services, will total approximately \$30,528,600, or approximately \$9,698,700 GPR greater than the amount budgeted for these costs in Act 20 (\$20,829,900 GPR). This figure can be derived from Table 1 by subtracting the GPR total for assessment homes and centers (\$3,284,600) from the GPR total for placement services (\$24,114,500). After taking into consideration projected surpluses in the amount of funding budgeted for assessment and stabilization services and Wraparound services and funding carried forward from 2006-07 to liquidate prior year encumbrances, the projected shortfall for these out-of-home placement services is projected to be approximately \$7,938,300 in 2007-08, as shown in Table 2.

TABLE 2

**Estimated GPR Shortfall for Out-Of-Home Care Costs and Services
Fiscal Year 2007-08**

	<u>Act 20 Budgeted</u>	<u>Current Projection</u>	<u>Difference</u>
Out of Home Care -- Carryover of 2006-07 Costs	\$0	\$1,687,200	\$1,687,200
Out of Home Care -- 2007-08 Costs	20,829,900	30,528,600	9,698,700
Assessment and Stabilization	<u>3,284,600</u>	<u>2,574,600</u>	<u>-710,000</u>
Subtotal	\$24,114,500	\$34,790,400	\$10,675,900
Wraparound -- Carryover of 2006-07 Costs	\$0	\$789,600	\$789,600
Wraparound -- 2007-08 Costs	<u>9,407,100</u>	<u>8,356,700</u>	<u>-1,050,400</u>
Subtotal	\$9,407,100	\$9,146,300	-\$260,800
Total	\$33,521,600	\$43,936,700	\$10,415,100
Fiscal Year 2006-07 Carryover	\$0	-\$2,476,800	-\$2,476,800
Estimated Shortfall			\$7,938,300

During the Committee's deliberations on the 2007-09 biennial budget, it was indicated that it was likely that the amount of funding budgeted for BMCW's out-of-home care costs would be insufficient to fully fund program costs, based on monthly caseload data that suggested continuing growth in the percentage of children who were placed in high-cost homes and facilities (treatment foster homes, group homes and residential care centers), rather than family foster homes. The amounts budgeted for these costs in the budget bill were based on an assumption that this trend would not continue. However, it was also recognized that these caseloads were difficult to predict, and that if the Committee established a funding level for the program that was insufficient to support BMCW's out-of-home care costs, additional funds could be provided by the Committee under s. 13.10 of the statutes or through subsequent legislation.

Due to recent changes in the way DHFS reports information on the number of children in out-of-home care, it is not possible to compare the Act 20 caseload estimates with actual caseloads. However, some conclusions can be drawn from the more recent experience.

The percentage of the total number of children in out of home care who were in high-cost homes and facilities has continued to increase through the 2007-09 biennium, which is consistent with the historical trend. For example, in July, 2006, approximately 17% of children in out-of-home care were either in treatment foster homes, group homes, or residential care centers. By March, 2008, that percentage had nearly doubled, to 31%. This increase is significant, since the average cost of care for these placements is well above the average cost of care for children in family foster homes.

A second factor contributing to the shortfall is that the Act 20 estimates regarding average monthly costs for high-cost homes and facilities were lower than the actual average costs in 2007-08 to date, as shown in Table 3.

TABLE 3

**Comparison of Average Monthly Cost of Out-of-Home Placements
Act 20 and 2007-08 (through March)**

	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
Family Foster Care	\$495	\$472	-\$23
Treatment Foster Care	2,597	3,037	440
Residential Care Center	7,518	8,933	1,415
Group Home	4,477	6,306	1,829

DHFS does not establish the monthly rates facilities receive for caring for children. Instead, facilities establish these rates, but cannot charge BMCW higher rates than they charge other agencies that place children.

The Director of the Foster Care and Adoption Services at the Children's Service Society of Wisconsin (the agency with which BMCW contracts for out-of-home placement services and adoption services) offered several possible explanations for the increase in the percentage of children served by treatment foster homes, residential care centers, and group homes in recent years. First, the children that require out-of-home care may have greater care needs, resulting

from recent increases in incidences of family violence and alcohol and drug abuse. Second, due to improvements in assessment methods, additional care needs may have been discovered for some children that may not have been detected previously, resulting in decisions to provide a higher level of care for some children than would have been provided in the past. Third, recent increases in the number of foster families who have adopted the children in their care may result in these families no longer accepting foster children. Fourth, improved enforcement of requirements foster families must meet may have resulted in some foster families who could not demonstrate compliance with requirements, to discontinue their licenses. Finally, it is possible that some foster families may find greater financial rewards of providing foster care by obtaining licensure as a treatment foster home, rather than a family foster home, due to the greater monthly payments treatment foster care families receive.

Another factor that may be contributing to the rise in the number of children in high-cost homes and facilities is a decrease in the number of licensed family foster homes that BMCW uses to place children. In January, 2006, there were 926 licensed foster care homes used by BMCW. As of April, 2008, the number of licensed family foster homes had decreased by almost 30%, to 660.

While treatment foster homes are intended to provide home-based care for children and adolescents with significant emotional, behavioral and medical problems, a lack of available family foster care beds may result in some children who do not require the level of care provided by treatment foster homes to be served in such facilities. For these children, BMCW pays facilities rates that are more similar to the rates it pays to family foster homes.

In summary, the current shortfall in the BMCW out-of-home care budget had been anticipated for months, as actual caseload and costs have exceeded Act 20 budget projections. The shortfall was not addressed in the budget adjustment bill (Act 226). DHFS has not reduced funding for other contracted services BMCW provides to generate savings to offset the projected shortfall in the out-of-home care budget. Since DHFS must pay families and facilities that care for children who are removed from their homes and the 2007-08 fiscal year is nearly over, funding must be transferred to the BMCW aids appropriation to fully fund costs that have already been incurred.

The Department's proposal would fully fund anticipated 2007-08 costs, by: (a) using one-time underspending from calendar year 2007 contracts (\$2,340,600 GPR); (b) making a one-time change in assigning costs to the fiscal year in which out-of-home care costs are billed (\$3,459,700 GPR); and (c) proposing a transfer of \$2,138,000 GPR in 2007-08 from surplus funds budgeted for state foster care and adoption assistance payments. (This appropriation is currently expected to have a surplus of \$3,203,000 GPR in 2008-09, which could be available to support a projected shortfall in out-of-home care costs in 2008-09.) The Department's proposal would address the 2007-08 shortfall, and maintain funding provided for contracted services at the Act 20 budgeted levels. For these reasons, the Committee may wish to approve the DHFS request.

However, based on current caseload and costs trends, it is likely that BMCW will have a shortfall in its 2008-09 budget that is at least as great as the projected 2007-08 shortfall (approximately \$8.0 million GPR), since approximately the same amount of funding was

budgeted for out-of-home care costs in 2007-08 and 2008-09. Although it is currently projected that approximately \$3.2 million GPR would be available from the state foster care and adoption assistance appropriation to support this shortfall, approximately \$4.8 million GPR would still be needed to fully fund out-of-home care costs in 2008-09 at the same level as in 2007-08. DHFS does not currently anticipate underspending in calendar year 2008 contracts, which potentially could be used to address this shortfall. For this reason, if the Committee wishes to reduce a likely shortfall in 2008-09, it could reduce funding for contracted services, beginning in calendar year 2009.

The Committee could approve the Department's request, but direct the Department of Children and Families to reduce funding for contracted services, beginning in calendar year 2009, by a specified amount so that funding that is currently budgeted for contracts could instead be reallocated to support out-of-home placement costs in 2008-09.

The primary argument for this approach is that, due to increasing costs of out-of-home care, BMCW's current budget cannot support both higher out-of-home care costs and the costs for current contracts in 2008-09 and future years. Consequently, any reduction in base funding for contracts would reduce the amount of the 2008-09 shortfall and the amount of funding that would be needed to maintain funding for contracts in the 2009-11 state budget. This alternative would require DCF staff to reprioritize the funding budgeted for these contracts.

However, reducing calendar year 2009 funding for contracted services, such as case management services, ongoing services, adoption services, and out-of-home placement and adoption services would adversely affect families that receive these services, because contracted staff would likely have greater caseloads, and fewer direct contacts with families. Demand for these services has not decreased. For example, the number of families who received ongoing case management program services increased from 1,777 to 1,863 (4.8%) between December 31, 2006, and December 31, 2007, after several years of declining caseloads.

DHFS has not required BMCW to reduce contracted services to satisfy Act 20 lapse requirements. Under Alternative 2(a), (b), or (c), BMCW's contracted agencies would share in the budget reductions that other agencies and programs have been required to manage.

ALTERNATIVES

1. Approve the Department's request.
2. Modify the Department's request by directing the Department of Children and Families to reduce calendar year 2009 contracts for BMCW services by one of the following amounts:
 - a. \$2,000,000 GPR (approximately 6% of the total GPR funding budgeted for contracts).
 - b. \$1,000,000 GPR (approximately 3% of the total GPR funding budgeted for contracts).
 - c. \$500,000 GPR (approximately 1.5% of the total GPR funding budgeted for contracts).

Prepared by: Charles Morgan

ATTACHMENT

Bureau of Milwaukee Child Welfare 2008-09 Funding for Annual Service Contracts

<u>Service</u>	<u>GPR</u>	<u>FED Title IV</u>	<u>FED TANF</u>	<u>Total</u>
Case Management	\$14,509,400	\$3,687,800	\$0	\$18,197,200
Ongoing Services	8,368,700	0	426,300	8,795,000
Out-of-Home Placement Unit	4,195,600	1,104,400	0	5,300,000
Foster Care Training	437,800	115,200	0	553,000
Foster Care Recruitment	197,900	52,100	0	250,000
Adoption Unit	1,753,800	1,350,200	0	3,104,000
Adoption Recruitment	141,200	108,800	0	250,000
Family Intervention and Support	220,400	0	0	220,400
Independent Investigations	280,000	0	0	280,000
Prevention Services	0	0	1,489,600	1,489,600
Termination of Parental Rights	217,000	167,100	0	384,100
Permanency Planning Reviews	614,700	0	0	614,700
Psychiatric Evaluations	133,400	0	0	133,400
Mentors	296,900	78,100	0	375,000
Kinship Payment Unit	315,400	0	0	315,400
Trust Fund Acct. Unit	100,100	26,400	0	126,500
EDS Children's Hospital	30,000	0	0	30,000
Adoption Search	50,000	0	0	50,000
Domestic Violence Services	365,000	0	0	365,000
UWM MSW Program Expansion	222,400	0	0	222,400
Milwaukee DA IV-E Supplement	233,600	0	0	233,600
Training Partnership IV-E Supplement	<u>369,200</u>	<u>0</u>	<u>0</u>	<u>369,200</u>
Total	\$33,052,500	\$6,690,100	\$1,915,900	\$41,658,500