



Legislative Fiscal Bureau

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November 10, 2011

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Expenditure Plan for Income Augmentation Funds -- Agenda Item III

On October 4, 2011, the Joint Committee on Finance received a proposal from the Department of Administration (DOA) to allocate income augmentation funds pursuant to ss. 46.46(2) and 48.567(2) of the statutes. Income augmentation funds are federal funds the state claims as a result of several initiatives the Department of Health Services (DHS) has implemented in recent years to maximize funding available to states under several federal programs. Currently, all income augmentation revenue the state receives is based on claims DHS submits under the medical assistance (MA) program.

Under the current proposal, the administration identified a total of \$28,409,000 in federal income augmentation funds, including \$25,009,000 that DHS collected and reconciled for the period from April 1, 2010, through March 31, 2011, and \$3,400,000 in additional claims submitted for the period from April 1, 2011, through June 30, 2011. On October 24, 2011, the Committee's Co-Chairs notified the DOA Secretary that there was an objection to the income augmentation expenditure plan and that the Committee wished to meet to consider the plan.

The following table shows the income augmentation funds available, allocation of funds previously budgeted under prior legislation, a new allocation of the funds requested under the income augmentation plan, and the remaining unallocated balance of the funds.

2011 Income Augmentation Plan

Income Augmentation Revenue April 1, 2010, through March 31, 2011	\$ 25,009,000
Income Augmentation Revenue April 1, 2011, through June 30, 2011	<u>3,400,000</u>
Total Income Augmentation Revenue	\$ 28,409,000
Allocations of Income Augmentation Funds Previously Budgeted	
DHS Act 10 Lapse	\$4,500,000
DCF Act 10 Lapse	2,011,200
Transfer to the MA Trust Fund	9,078,300
State Agency Costs Associated with Income Augmentation Claims	1,102,200
Costs Associated with Claiming MA-Eligible HealthCheck Services	1,372,000
Payments to Contracted Firms that Assist the State in Claiming Federal Funds	228,500
Office of the Blind and Visually Impaired	<u>263,400</u>
Subtotal	\$18,555,600
New Allocation Recommended in the Income Augmentation Plan	
Foster Care Deficit for Calendar Year 2011	\$1,725,900
Balance	\$8,127,500

The income augmentation plan would lapse the balance of \$8.1 million to the general fund to meet a portion of the Department of Children and Families (DCF) lapse requirement under 2011 Act 32.

It should be noted that 2011 Act 32 required DCF to include a proposal for a subsidized guardianship training curriculum and a statewide guardianship training program, including an estimate of the cost of providing that training program, as part of its annual income augmentation plan. Since approval by the Committee was not a requirement to implement this program, and DCF included the proposal as required, this memorandum will only address the expenditure portion of the 2011 income augmentation plan.

ANALYSIS

As shown in the table above, \$18.6 million of the income augmentation revenues has previously been allocated under 2011 Acts 10 and 32. In addition, another \$1.7 million has been requested to address a deficit in the foster care program. These are child welfare costs that must be paid for children placed in out-of-home care.

DOA requests that the Committee approve the lapse of all of the remaining available income augmentation funds that have not been committed for other purposes (\$8,127,500) from DCF's interagency and intra-agency aids; income augmentation services receipts program revenue (PR) appropriation to the general fund to partially offset DCF's lapse requirements under Act 32. Act 32 requires DOA to lapse \$174.3 million to the general fund over the course of the 2011-13 biennium from the unencumbered balances of GPR and PR appropriations to executive branch state agencies, other than sum sufficient and federal appropriations.

The Committee could approve the request to lapse \$8,127,500 to the general fund from

DCF's PR appropriation pursuant to Act 32 (Alternative 1). Approval would reduce the Act 32 \$174.3 million lapse requirement to \$166.2 million.

On the other hand, income augmentation plans from prior years have encompassed a one-year period from April 1 through March 31, rather than the 15-month period submitted as part of the current plan. The Committee may choose to lapse \$4,727,500 for the period from April 1, 2010, through March 31, 2011, in income augmentation revenues that have been received (Alternative 2). As a result, any income augmentation revenue received from the period April 1, 2011, through June 30, 2011, would be included as part of the administration's 2012 income augmentation plan. Delayed allocation of these funds would assure that sufficient income augmentation revenues would be received in 2011-12 to fulfill budgeted obligations under Act 32, as well as any additional lapse to the general fund.

However, DCF has indicated that preliminary estimates suggest that there would be sufficient income augmentation revenues in 2011-12 to fulfill prior commitments under Act 32 and the \$3.4 million requested lapse. Therefore, requiring the additional lapse of \$3.4 million as part of the 2011 income augmentation plan would not adversely affect the ability of DCF to use income augmentation revenues for prior commitments as budgeted in Act 32 for 2011-12.

Finally, the Committee could choose to deny the request with respect to lapsing \$8.1 million to the general fund under Act 32 (Alternative 3). Instead, the Committee could use the funding to address potential shortfalls in existing state programs, or for other proposes. If the Committee chooses to use funds for other state expenditures, then DOA would be required to identify other appropriations from which to satisfy DCF's portion of the Act 32 \$174.3 million lapse requirement.

All income augmentation revenues not allocated for specific purposes would be deposited to the general fund as a non-appropriated receipt. Therefore, if the Committee does not allocate any or all of the balance of the income augmentation revenues, then the unallocated portion would be deposited into the general fund.

ALTERNATIVES

1. Approve the administration's income augmentation proposal as shown in the table above to: (a) provide \$18,555,600 for allocations already budgeted under prior legislation; (b) provide \$1,725,900 to address a foster care deficit; and (c) lapse \$8,127,500 to the general fund to partially offset DCF's portion of the Act 32 lapse requirement.

2. Modify the administration's proposal to lapse only \$4,727,500 to the general fund from DCF pursuant to Act 32 and to require the administration to include income augmentation revenue from the period April 1, 2011, through June 30, 2011, in its 2012 income augmentation plan.

3. Deny the request. Any unallocated funds would be deposited into the general fund.

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