

Analysis of Senate Bill 44: 2003-2005 Biennial Budget Bill

Updated March 21, 2003

Introduction

Governor Jim Doyle has introduced the first biennial budget of his administration in the most difficult fiscal climate of the past two decades, with the state facing a \$3.2 billion deficit. Given the challenges the Doyle administration faced, the Wisconsin Council on Children and Families observes that this budget proposal preserved much of the funding for many core services for children and families, including Medicaid, BadgerCare, Wisconsin Shares, Community Aids, Youth Aids, Birth to Three and Family Support. It also increased funding or capacity for other critical community services, including Emergency Assistance, mental health programs, W-2 benefits, community-based programs for people with disabilities and wraparound services for children with serious emotional disturbances.

At the same time, this budget contains a heavy dose of tough cuts. Funding was

reduced or eliminated for a number of valuable services, including those that enhance the quality of childcare in our state, improve the lives of children with autism and provide outreach for immunizations. The budget also includes significant funding reductions for the UW System, the elimination of 2,900 state jobs, changes in how public schools are financed and reductions in shared revenue and other aids for local governments, all of which will affect every community in our state.

Even though funding cuts occurred in state operations, the UW System, aids to individuals and local governments, cuts could have been far deeper if just over \$1.3 billion in a combination of new revenues and fund transfers had not been used. Those include new federal intergovernmental transfer program revenues, tribal gaming revenues, and transfers from the state's transportation and patient compensation funds. The Legislature

could choose not to include these revenues in their changes to the budget, which could dramatically change the budget presented by the Doyle administration.

The itemized analysis below takes a preliminary look at selected items in the Doyle budget and provides a brief analysis of their impact. Following each item there is also a reference to the page number where it can be found in the Legislative Fiscal Bureau's 514-page summary document.

We have update our analysis to include some of the more significant amendments and technical changes recommended by the Governor in a March 17 "errata" letter to the Joint Finance Committee co-chairs. As the budget proceeds through the process, we will continue updating this document, which you can find on our website at www.wccf.org.

Budget Item	Changes to the 2003 Base	Change or Changes in Policy/Comments	Potential Effects
Medical Assistance (MA) Base Funding <p><i>(p. 198)</i></p>	FY2004: \$155.9 million GPR FY2005: \$207.8 million net GPR/SEG (prior to accounting for other changes)	This increase reflects the cost to continue the program, based on increased enrollment and changes in utilization of services.	The base funding increase allows the program to continue without making drastic cuts in eligibility, provider rates, or services.
MA In-Homes Services for Children with Autism <p><i>(p. 218)</i></p>	FY2004: \$8.3 million GPR reduction FY2005: \$8.3 million GPR reduction (The biennial GPR cost of retaining the benefit is likely to exceed \$40 million, assuming the feds will no longer match the state funds.)	Eliminates in-home services under MA because it appears that this will no longer be a covered benefit under federal law. However, Governor Doyle has directed DHFS to develop a replacement for this program.	At least 1,000 children would no longer get MA coverage for in-home autism treatment. The net savings factor in increases in services through schools and clinics.
BadgerCare – Base Funding <p><i>(p. 200)</i></p>	FY2004: \$11.6 million GPR FY2005: \$11.6 million GPR (The “errata” letter indicates that an additional \$2.4 million GPR is needed over the biennium to reflect capitation rate increases.)		Allows current eligibility standard to be maintained and HMO rate increases to reflect increased costs
BadgerCare – Premiums <p><i>(p. 223)</i></p>	FY2004: \$406,200 GPR reduction FY2005: \$804,700 GPR reduction	Increases premiums for families above 150 percent of poverty to 5 percent of income, instead of 3 percent.	Will increase costs by about \$625 per year for a family of four with income at 170 percent of poverty
BadgerCare – Employer Verification <p><i>(p. 222)</i></p>	As revised by the March 17 “errata” letter, is expected to produce net GPR savings of \$99,000 in FY 2004 and \$1,661,000 in FY 2005.	Requires verification by employer that a worker is uninsured, prior to enrollment.	Targets the program more effectively, but increases county administrative costs & may slow enrollment.
Managed Care for Children in Out-of-Home Care <p><i>(p. 220)</i></p>	FY2004: \$163,100GPR FY2005: \$163,100GPR	Provides for quality assurance activities and evaluation of a new managed care program	Should improve health care for about 8,000 children in Milwaukee and save \$\$ in future years.

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SSI Managed Care Expansion (p. 219)	As corrected in the errata letter, expected to save \$3.3 million GPR in FY 04 and \$11.4 million GPR in FY 05	Contingent upon a federal waiver, would expand areas where the state can require SSI recipients to participate in managed care.	Is likely to require additional SSI recipients to use managed care, if they reside in an area served by at least two HMOs.
Children's Long Term Care Redesign (p. 243)	FY2004: \$420,000 all funds FY2005: \$1.1 million all funds	Begins implementation of Children's Long Term Support Redesign in five pilot counties	Will begin to reduce the waiting list of 3,500 children who need long term care, and test the redesign in pilot counties
Integrated Services Program-Wraparound Services (p. 266)	No new GPR funding.	Funding required for the existing 34 ISPs over the coming biennium is less than what is in the base budget for the program. Funds that are freed will be redirected to fund additional ISPs in the state.	ISPs currently serve 2,697 children with serious emotional disturbances. Funds are used to pay for wraparound services in the community to minimize or eliminate the need for in-patient hospitalization.
Medical Assistance Waivers -Rates and Slots (p. 240)	FY2004: \$41.7 million all funds FY2005: \$84 million all funds	Allocates about \$51.9 million of SEG funding from the assumed increase in intergovernmental transfer funds, which would match an additional \$73.8 million FED to expand community based programs	Funding increases slots in the MA Waiver programs to serve people with disabilities and the elderly; funding is also used to increase rates.
Community Support Program (CSP) (p. 242)	FY2004: 0 FY2005: \$872,600 IGT and \$1.5 million Fed (estimate), which the counties would draw down in match.	As a related measure, the budget also eliminates community-based psychosocial services as an MA covered service.	Expands access to CSP in FY05 for individuals with serious and persistent mental illness, with the intent of eliminating the existing waiting list for the program.
WisconCare (p. 224)	Eliminates the \$750,000 annual GPR appropriation	Terminates the program, which provides limited outpatient primary care and inpatient maternity and delivery services to low-income individuals in 17 counties with high unemployment rates.	Eliminates a source of health care in 17 counties for an estimated 200 low-income childless adults who are ineligible for MA or BadgerCare. Most of the funding has been used for prescription drug costs and program administration.

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<p>Graduate Medical Education (p. 216)</p>	<p>FY2004:\$11.9 million reduction FY2005:\$11.9 million reduction</p>	<p>Eliminates enhanced hospital reimbursement under the MA program for graduate medical education. The Governor’s errata letter to JFC co-chairs indicates it is his intent to restore reimbursement for the program in the third quarter of 2005.</p>	<p>Frees up funds to help with other shortages in the MA budget, but significantly reduces funds for medical education training.</p>
<p>Centralize Income Maintenance Administration (p. 236)</p>	<p>As amended by the “errata” letter: FY2004:\$6.6 million all funds reduction FY2005:\$12.9 million all funds reduction</p> <p>(Despite the reduction, there is a 2 percent annual rate increase for the cases that will remain with the counties.)</p>	<p>This change would result in an expansion of the current centralized eligibility determination that is used for the state’s Senior Care program. Medicaid-only cases would be handled through this new method, thus producing a corresponding workload reduction for the counties. However, consumers would continue to be able to access MA through county human service or social service agencies, if they choose to do so.</p>	<p>The system change proposed could make it easier for consumers to apply for the Medicaid program if there is sufficient outreach and information disseminated that will ensure applicants understand how to apply for MA. DHFS estimates that the change will affect approximately 90,000 cases. DHFS has cited success with a similar centralized application system with SeniorCare, which is one of the reasons for the recommended change. Counties have expressed concern that the reduction in their IMAA appropriation may be significantly larger than the corresponding workload relief. If that is true, it may make it harder for counties to handle the remaining workload within the dollars allocated.</p>

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Intergovernmental Transfer Program Revenue: County Nursing Homes <i>(p. 240)</i>	2004: \$40 million all funds reduction 2005: \$40 million all funds reduction (Reduction brings down the IGT base for county nursing homes to \$37.1 million annually.)	The reduced funding is based on the reduction in IGT revenue associated with nursing home claiming. The reduction represents a 52 percent funding loss.	There are 48 county nursing homes and 10 nursing homes run by other municipal governments eligible for the supplemental funding. This reduction will have one of two consequences: property taxes will either need to be raised or redirected from other local services to fill the funding loss; or homes will decide to reduce services to their current residents.
Community Aids <i>(p. 261)</i>	FY2004:\$1.06 million reduction FY2005:\$1.06 million reduction (Reduces the Community Aids base to \$260.2 million per year.)	Reduction reflects a loss of federal Social Services Block Grant funds and is less than 1 percent. Although not a change in policy, the \$13.42 million in TANF funding for Community Aids is retained.	Combined with cost of living adjustments that counties will have to cover, the loss of buying power is somewhat higher.
MA Administrative Claiming Initiative	2003 Base: 0 FY2004: \$2.75 million FY2005: \$5.46 million	This is a new initiative that would produce an additional \$8.2 million for counties over the biennium and the same amount for the state.	The increase in federal funding through this initiative would assist counties in more than back-filling the loss in Community Aids funds.
Milwaukee Child Welfare <i>(p. 258)</i>	FY2004: \$4.36 million all funds FY2005: \$4.2 million all funds	None	In late 2002, Wisconsin entered into a settlement agreement ending a class action lawsuit filed in 1993. The settlement agreement sets certain criteria, conditions and outcomes that the state must meet for children in Milwaukee County over three years, beginning on 1-1-03. DHFS believes that the funding increase proposed will allow it to meet the terms and conditions of the lawsuit.

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Kinship Care <i>(pp. 259 & 499)</i>	FY2004: \$696,900 reduction FY2005: \$696,900 reduction	Reduction for kinship care is \$696,900 annually, which includes a \$17,300 reduction for all non-Milwaukee counties and a \$679,000 reduction for Milwaukee County.	Between 9/01 and 9/02, the kinship care caseload grew by 6.3 percent. If it continues to grow at that pace, the proposed funding may fall short. However, DHFS projects the funding will be adequate for all projected cases, including those on current waiting lists & those funded with county revenue.
Milwaukee Child Welfare: Prevention and Safety Services <i>(p. 258)</i>	No change to the base.	The budget preserves funding for both these services over the course of the biennium.	An evaluation of the Safety Services credits the program with reducing foster care placements in Milwaukee County.
Caretaker Supplement Benefits <i>(pp. 265 & 499)</i>	FY2004: \$581,000 increase FY2005: \$332,800 reduction (These changes reflect funding for caseload only. Funds are also added to the DHFS base for the transfer of administrative responsibilities from DWD.)	The net increase in funding for caseload over the biennium is \$248,200.	DHFS projects the biennial funding request will cover all eligible recipients. In FY 01-02, 11,655 children received Caretaker Supplement benefits, going to an average of 5,823 households.
Birth to Three	No change in funding.	The budget preserves funding for Birth to Three over the course of the biennium.	Waiting lists may not be established for the Birth to Three program. It is funded by a combination of state/federal/local funds. The state increased its allocation to counties by \$2.1 million in the last biennium to cover caseload & cost increases. If caseloads continue to rise over the course of the biennium, counties will be required to absorb those additional expenses within their budgets

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Family Support Program (p. 262)	No change in funding.	The budget preserves funding for the Family Support Program over the biennium.	As of 12/01, there were 2,690 children on waiting lists to receive FSP supports. The appropriation for FSP was increased by \$250,000 in 2001-2002 and by an additional \$500,000 in 2002-2003.
Wisconsin Shares (p. 497)	FY2004: \$11.9 million reduction FY2005: \$14.1 million reduction (This reduces the appropriation from its 2003 base of \$305 million to \$291 million by FY 2005.)	The funding is reduced in part to reflect policy change allowing W-2 participants to care for infants until they are 6 months old, which accounts for a \$6.6 million decrease in 2004 and a \$14.6 million decrease in 2005.	Childcare subsidy funds appear to be at least \$5 million per year short of covering the caseload . .
Childcare – DWD Administration (p. 498)	FY2004: \$412,500 FY2005: \$412,500	Childcare staffing cut by 10 percent, but more of DWD administrative costs are billed to the child care block grant	Helps DWD balance their budget, but reduces child care staff and funding for other child care quality initiatives
Childcare – HHS Licensing (pp. 260 & 498)	Slight cut in child care funding, offset by carryover funds from FY 03 and license fee revenue	Converts 2 positions to license fee revenue	Maintains licensing staff, while freeing up some childcare block grant funds.
Childcare – Resource and Referral Agencies (pp. 498)	Cuts funding by 10 percent from the \$1,355,000 base, which was cut 20 percent in the previous biennium.	In his errata letter to the JFC co-chairs, Governor Doyle has asked that \$500,000 in each year be provided to the R&R agencies, increasing the base to \$1.7 million.	While the newly proposed funding from the Governor would increase the base beyond the current year, R&R agencies will also be affected by other cuts in indirect childcare funding, such as the local pass through grants.
Childcare – Scholarship and Bonus funding (p. 498)	Eliminates the \$6 million per year for the TEACH, REWARD, and mentor programs	Also in his errata letter to the JFC co-chairs, Governor Doyle asked that \$2.3 million in each year of the biennium be used to partially restore funding to TEACH and REWARD.	Reduced level of funding will retain the program, but reduce existing capacity to help train and retain childcare teachers.

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Child Care – Safe Child Program (p. 498)	Eliminates the \$580,000 per year appropriation.		Ends program designed to increase level of safety and health in certified day care homes.
Childcare Pass-Through Grants (p. 499)	Funding cut 75 percent to \$4.4 million per year	The cut primarily reflects less available federal block grant funding, but also a policy change in the federal:local match rate	Will significantly reduce local programs to promote childcare quality and access.
Early Childhood Excellence (ECE) Centers (p. 502)	Reduced 9 percent to \$2.5 million per year.		Will reduce funding slightly for the 17 centers that receive ECE grants.
W-2 Contracts: Administration (p. 490)	Funding for W-2 contract administration is virtually frozen at \$22.3 million in each year of the biennium.		As caseloads rise, the ability of W-2 providers to deliver on the contractual obligations under the contracts may be impeded by the relatively flat funding in the budget.
W-2 Contracts: Ancillary Services and Transportation (p. 490)	FY2004: \$21.3 million reduction FY2005: \$21.3 million reduction (Budget decreases the base for ancillary services to \$55.6 million in each year of the biennium. This allocation also affects the last six months of the current 2-year contracts and reduces funding for those contracts by \$10.7 million.)		W-2 contractors use the funding provided for ancillary services to fund a range of different services from job readiness and motivation classes to social services. DWD has stated that a reduction in ancillary services funding is necessary to balance the TANF budget, reduce overhead and focus on services that will be most useful in moving individuals to work. The reduction represents a 27 percent reduction from the 2003 base.

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W-2 Contracts: Benefits for Participants <i>(p. 490)</i>	FY2004: \$22.1 million FY2005: \$29.1 million (Base for benefits increases to \$78.4 million by FY2005. The increase in funding also affects the last six months of the current 2-year contracts and increases funding for benefits by \$8.6 million.)	The increase results primarily from the increase in W-2 caseloads over the last two years, but also from the next two items (below)	Ensures adequate funding for increased caseload. By the end of the biennium, benefits increase by 59 percent over the 2003 base.
W-2 Transitional Jobs <i>(p. 491)</i>	Costs reflected in the benefits appropriation above	Allows CSJ participants to choose transitional subsidized private sector jobs paying at least minimum wage for 25 to 30 hours per week. Employers will be reimbursed up to 100 percent of costs attributable to employee. Education and training may substitute for 10 to 15 work hours.	Provides for real work opportunities and up to \$4,000 in EITC and Homestead Credits, benefiting the participant and bringing money into the state. Should assist participants to better, more stable jobs, and bring employers better-trained workers.
W-2 Benefits For Parents of Infants <i>(p. 497)</i>	Increases W-2 benefit costs, but reduces the need for infant child care, which yields \$4.2 million net biennial savings	Provides eligibility for benefits without work or a work search until infant is 6 months old, instead of the current 3 months.	Follows current research emphasizing the importance of a warm, nurturing environment with consistent loving caregivers for healthy brain development as a foundation for a promising future.
W-2 Educational Assessment <i>(p. 507)</i>		Requires agencies to assess all applicants to determine if they need or would benefit from education and training activities, include activities in employability plans and pay for them if sufficient funds.	Provides an emphasis lacking in current program, which requires such assessments only for those in trial jobs or in unsubsidized employment and applies only to basic education.
W-2 Reinvestment <i>(p. 496)</i>	Cut to \$2.2 million in FY 04 (from the \$5.5 million TANF base) and eliminated in FY 05		Phases out a source of supplemental funding for services to TANF-eligible families

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W-2 Performance Bonus (p. 496)	Not funded.		
W-2 Financial Oversight	Eliminates the \$500,000 TANF funding level		Eliminates this subcontract for financial oversight services for W-2 agencies. According to the LFB, DWD only contracted for these services in the second year of the current biennium.
TANF: Emergency Assistance (p. 499)	FY2004: \$1.2million FY2005: \$1.2 million (This increases the annual base to \$4.5 million.)		Annual funding is increased 36 percent. According to the LFB, actual expenditures for the program in the 2001-02 FY were \$5.5 million, with 5,530 grants issued to homeless families.
TANF: Literacy (p. 502)	Ends the \$800,000 per year for literacy programs.		Ends the TANF support to literacy providers to work with W-2 participants.
TANF: Domestic Violence Grants (p. 505)	FY2004: \$250,000 reduction FY2005: \$250,000 reduction (This reduction brings the annual TANF base to \$750,000. The program's entire base would be \$7.85 million with the TANF reduction.)		Reduces the TANF grant funding by 25 percent, which represents a 3 percent reduction to the entire base. Funding is divided among 60 agencies and 11 tribes.
TANF: Transportation (p. 501)	Eliminates the \$900,000 annual appropriation.	W-2 agencies are directed to fund transportation services from their regular contracts.	The impact is difficult to gauge, but it appears likely that transportation services will decline.
TANF: Legal Services (p. 501)	Eliminates the \$100,000 per year appropriation.		Reduces legal assistance to low-income persons.
TANF: Adolescent Pregnancy Prevention (p. 504)	Eliminates the \$449,400 annual appropriation.		Ends the TANF funding for adolescent pregnancy prevention.

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TANF: Aid to MPS <i>(p. 503)</i>	Eliminates the \$1.4 million annual appropriation that assists Milwaukee Public Schools.		Ends TANF funding for MPS for its alternative ed. programs for learnfare pupils and its early childhood ed. contracts with day care centers.
TANF: Adolescent Pregnancy Prevention <i>(p. 504)</i>	Eliminates the \$449,400 annual appropriation.		Ends the TANF funding for adolescent pregnancy prevention.
TANF: Head Start <i>(p. 503)</i>	FY2004: \$212,500 reduction FY2005: \$212,500 reduction (This reduces the base of TANF funding for the program to \$3.5 million annually.)		May reduce the number of Head Start slots.
TANF: Workforce Attachment & Advancement <i>(p. 501)</i>	FY2004: (\$5.8 million) FY2005: (\$5.8 million) (Funding reduction brings the base in both years down to \$2 million. Funding for the current contract period, however, would not be reduced.)		Decreases the funding for worker training and retention services by 74 percent.
TANF: Brighter Futures and Tribal Adolescent Services <i>(p. 504)</i>	Eliminates the \$1.3 million TANF funding for the program and replaces it with GPR.		Maintains the program at current funding levels with GPR.
TANF: Nutrition Funding <i>(p. 504)</i>	Eliminates the \$1 million annual TANF appropriation	No change	According to the LFB, this funding served about 13,700 persons in FY 2002.
TANF: Immunization Outreach <i>(p. 505)</i>	Eliminates the \$1 million annual TANF appropriation	No change	Cuts total immunization funds by 5.3% , affecting funds used for the immunization record system, notifying parents of children who are behind schedule, & identifying transportation needs of clients

Budget Item	Changes to the 2003 Base	Change or Changes in Policy/Comments	Potential Effects
TEACH Block Grants <i>(p. 397)</i>	FY2004: \$35 million reduction FY2005: \$35 million GPR reduction	Funding for TEACH block grants is eliminated, and positions and the remaining programs associated with the program are transferred to DPI. Remaining SEG funding will support DPI communication/ online functions.	Amounts to a categorical aid cut to districts, which will be added to amounts from the reduction in the two-thirds commitment that districts will have to raise from property taxes.
SAGE <i>(p. 347)</i>	No change.	Funding for the program is preserved.	
DOC: Youth Aids <i>(p. 130)</i>	No change.	Funding for the program is preserved.	
Community Intervention Program	No change.	Funding for the program is preserved.	
Juvenile Corrections Rates <i>(p. 125)</i>	None .	Daily rates at the secured juvenile corrections institutions would increase by 12 percent over the biennium, with a 10 percent increase in the first year and a 2 percent increase in the second.	Without a corresponding increase in counties Youth Aids appropriations, the rate increase for juvenile corrections will reduce the availability of Youth Aids for each county. The individual impact on counties will vary with the commitment rates of juveniles in those counties. Actual expenditures for corrections in 2001, the most recent year available, were \$42.3 million.
HCRI Funding	No change.	Funding for the program is preserved.	HCRI provides rental vouchers to low-income families and is an essential core service that prevents homelessness.

Budget Item	Changes to the 2003 Base	Change or Changes in Policy/Comments	Potential Effects
Shared Revenue: Municipalities and Counties	Shared Revenue payments to counties and municipalities are reduced in three stages: 1) a \$40 million reduction in 2004 that reflects decisions made in the budget repair bill passed in 2002; 2) a \$10 million reduction that will be restored to counties and municipalities through a Medical Assistance maximization initiative; and 3) a \$70 million reduction that applies only to municipalities.	\$400 million of the shared revenue payments to counties and municipalities will be taken from the transportation fund instead of the general fund; and \$20 million will be taken from the utility public benefits fund instead of the general fund.	The reduction in Shared Revenue payments will be done on the basis of a per capita reduction. The \$40 million reduction, which was made in the 2002 budget repair bill, is a 3.9 percent reduction to the 2003 base, but will affect each unit of local government differently, depending on their population. The \$70 million cut is an additional 6.8 percent reduction to the 2003 base and will affect only municipalities.