

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE Division of Legislative Finance



P.O. Box 113200
Juneau, AK 99811-3200
(907) 465-3795
FAX (907) 465-1327
www.legfin.akleg.gov

MEMORANDUM

DATE: July 18, 2017
TO: Legislative Budget and Audit Committee
FROM: David Teal, Director
SUBJECT: Preparation for the July 25, 2017 LB&A Meeting

OMB submitted the following FY17 RPLs for consideration at the July 25, 2017 Legislative Budget and Audit Committee meeting. These RPLs, along with Legislative Finance comments, are posted on our web site at <http://www.legfin.akleg.gov>.

RPL#	Agency	Subject	Amount	Fund Source
06-7-0716 Operating	Health and Social Services	Front Line Social Workers	\$6,500,000	Federal Receipts (1002)

If you have any questions that you want an agency to address at the meeting, please call us so we can help ensure the agency has a response prepared.

Department of Health & Social Services
RDU: Office of Children's Services
Component: Front Line Social Workers

Subject of RPL: Front Line Social Workers	ADN/RPL #: 06-7-0716
Amount requested: \$6,500,000	Appropriation Authority: Sec1 Ch3 4SLA2016 pg 20 ln 20
Funding source: \$6,500,000 Federal Receipts (1002); Operating	Statutory Authority: Title 2 CFR Part 200; Title 45 CFR Part 95; AS 37.05.900, 47.05.010, 47.10, 47.17

PURPOSE

The Department of Health and Social Services, Office of Children's Services, requests \$6,500,000 in federal receipt authorization. The additional federal authorization is available due to approval of an amendment to the Public Assistance Cost Allocation Plan. Under the Uniform Administrative Requirements for Federal Grants Appendix VI of Title 2 CFR Part 200 and in accordance with 45 Public Welfare CFR, Part 95 Subpart E, federally financed programs administered by state public assistance agencies are required by the United States Department of Health and Human Services (HHS) to have an approved Public Assistance Cost Allocation Plan (PACAP) in order to claim both direct and indirect administrative costs. The Department of Health and Social Services is the public assistance agency for the State and requires the use of a federally approved Public Assistance Cost Allocation Plan to allocate costs to benefitting federal agencies. Major federally funded public assistance programs administered by the State of Alaska, Department of Health and Social Services are the Temporary Assistance for Needy Families, Medicaid, Food Stamps, Title IV-E Adoption Assistance and Foster Care, and Social Services Block Grant.

The recent amendment to the section covering the Office of Children's Services changes the allocation methodology for the Front Line Social Workers (FLSW) component, which is the largest personal services component of their budget. The estimated increases are associated primarily with the claiming for Title IV-E and Medicaid Administration of foster care, adoption, and guardianship programs. These changes also increase the federal claiming potential in indirect charges for the division in the Children Services Management component.

PREVIOUS LEGISLATIVE CONSIDERATION

No previous RPLs have been considered.

TIMING ISSUES

The department submits amendments to the Public Assistance Cost Allocation Plan on a quarterly basis when organizational and other changes take place in the agency. An amendment to the section applicable to the Office of Children's Services was submitted on September 19, 2016 retroactive to July 1, 2016.

Approval by the Cognizant Agency must be received before any claiming can occur and the division implemented the changes immediately to ensure maximization of the potential increase in federal claiming. The department received approval for this amendment on May 2, 2017.

BUDGETARY ISSUES

A cost benefit analysis based on FY2016 expenditures estimated an overall increase of 9.47% in federal claiming from both Title IV-E and Medicaid programs.

The large increases in federal share are from both the Title IV-E and Medicaid programs. Several changes associated with the Random Moment Sample (RMS) PACAP amendment resulted in a very robust federal claim;

- The number of activity codes used for the RMS doubled to better capture the work being performed by protective service staff. The activities being performed are either directly charged to a federal/state program or have a cost allocation methodology assigned, such as the title IV-E foster care penetration rate
 - o For example, the health related activity code was expanded to three activity codes Health related eligibility, outreach, and admin; health related case management, and health related training. The expenditures allocated based on the ratio of these RMS moments are charge directly to Medicaid administration at 50% Federal Financial Participation (FFP). This has resulted in a significant increase in Medicaid administrative reimbursement from approximately 0.38% to an estimated 3.75% (approximately \$2 million) in federal share.
- The allocation methodology for Family Resource activities was changed from the Title IV-E foster care penetration rate to a Title IV-E blended rate. This allowed the division to charge both the Title IV-E adoption and guardianship programs, in addition to the IV-E foster care program. This resulted in an increase of approximately 5% federal share (approximately \$2.5 million).
- Four activities associated with training were approved and allowed the division to claim at the enhanced Title IV-E federal participation rate for all three IV-E programs of 75% instead of at 50%. This resulted in an estimated increase of federal share of approximately 1.15% (approximately \$600 thousand)

Additionally, other large cost pools, such as FLSW administrative support in the FLSW component or the Director's cost pool in Children's Service Management will see an increase to their federal shares because their cost methodologies incorporate the results of the PACAP amendment, although at the administrative FFP of 50% not the enhanced-FFP rate of 75%, which is not allowable for indirect. While the RMS was implemented immediately, it usually takes a few quarters to establish a new base line. Quarter end statistics and RMS results for June 30 show projected increases to both IV-E Foster care and Medicaid FFP.

Federal Receipts	Budgeted Federal Authority	FY2017 Estimated Expenditures	Remaining Balance
Children's Services Management	\$ 5,182,500	\$ 5,907,413	\$ (724,913)
Children's Services Training	\$ 963,000	\$ 249,072	\$ 713,928
Front Line Social Workers	\$ 15,401,700	\$ 22,767,742	\$ (7,366,042)
Family Preservation	\$ 7,245,100	\$ 6,192,006	\$ 1,053,094
Foster Care Base Rate	\$ 6,065,800	\$ 5,933,271	\$ 132,529
Foster Care Augmented Rate	\$ 638,500	\$ 292,387	\$ 346,113
Foster Care Special Need	\$ 632,100	\$ 481,394	\$ 150,706
Subsidized Adoptions & Guardianship	\$ 15,402,000	\$ 14,845,513	\$ 556,487
OCS Total	\$ 51,530,700	\$ 56,668,797	\$ (5,138,097)

At this time estimated FY2017 expenditures are preliminary; the request of \$6,500,000 includes additional authority to ensure that the authorization is sufficient to capture any additional federal claiming made possible during year-end processing.

Agency Contact: Shawnda O'Brien, Assistant Commissioner, 465-1630
LFD Contact: Amanda Ryder, 465-6211

The department is projecting a similar increase to federal claiming during FY2018 and intends to request additional authority via a future RPL or supplemental budget request at a later date when more information is available.

Legislative Fiscal Analyst Comment:

Although the RPL is requesting a total of \$6.5 million of additional federal receipt authority, the Office of Children's Services (OCS) expects to receive \$8,091.0 more than anticipated in FY17 in Front Line Social Workers (FLSW) and Children's Services Management. OCS plans to transfer excess federal authority from other OCS allocations to Children's Services Management and FLSW to make up the difference between the \$6.5 million request and the \$8.1 million of federal receipt authority needed.

Although the Office of Children's Services will be replacing UGF with federal funding, the department does not anticipate lapsing UGF because "higher caseloads have resulted in higher costs to other components of the division's budget such as Foster Care Special Need and Subsidized Adoptions/Guardianship."



LAWS OF ALASKA

2016

FOURTH SPECIAL SESSION

Source
CCS HB 256

Chapter No.
3

AN ACT

Making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; repealing appropriations; making supplemental appropriations and reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

	Appropriation		General	Other
	Allocations	Items	Funds	Funds
1				
2				
3	Program (ASAP)			
4	Behavioral Health	5,067,500		
5	Administration			
6	Behavioral Health	4,616,000		
7	Prevention and Early			
8	Intervention Grants			
9	Alaska Psychiatric	26,715,100		
10	Institute			
11	Alaska Mental Health Board	145,200		
12	and Advisory Board on			
13	Alcohol and Drug Abuse			
14	Residential Child Care	1,525,600		
15	Children's Services	148,800,500	88,086,400	60,714,100
16	Children's Services	11,608,000		
17	Management			
18	Children's Services	1,427,200		
19	Training			
20	Front Line Social Workers	54,999,500		
21	Family Preservation	12,253,400		
22	Foster Care Base Rate	19,027,300		
23	Foster Care Augmented Rate	1,176,100		
24	Foster Care Special Need	11,052,400		
25	Subsidized Adoptions &	37,256,600		
26	Guardianship			
27	Health Care Services	21,941,300	10,298,200	11,643,100
28	Catastrophic and Chronic	171,000		
29	Illness Assistance (AS			
30	47.08)			
31	Health Facilities Licensing	2,283,400		
32	and Certification			
33	Residential Licensing	4,222,000		