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Program Review

August 2001 | Report No. 01-38

Legislature Should Establish Foster Care Excess Federal Earnings Program Despite Slow Start

at a glance

The Department of Children and Families has slowly implemented a pilot program to distribute excess federal earnings that support foster care and adoption assistance. Although the one eligible lead agency earned $209,690 in Fiscal Year 1999-2000, as of June 30, 2001, the department had not been billed for or disbursed these funds to the lead agency.

Preliminary indications are that the pilot is having positive effects by providing an incentive for the lead agency to modify its internal processes to maximize federal earnings. The lead agency plans to use earnings for additional foster care services and adoption assistance payments. Because these increased services will be eligible for additional federal reimbursement, they will generate an estimated additional $273,689 in federal funds. However, because the lead agency has not yet received these funds, it is not possible to assess their impact on client outcomes.

The pilot is set to expire on June 30, 2002. As it is having positive effects and state policy is to continue to privatize child protection services, we recommend that the Legislature continue the pilot and establish the program. The department should periodically report to the Legislature how lead agencies use excess earnings.

Purpose

Section 409.1671(8), *Florida Statutes,* requires OPPAGA to review the Department of Children and Families' foster care privatization excess federal earnings distribution program. In accordance with this requirement, we examined

- how excess earnings have been allocated to eligible lead agencies;
- lead agency plans to use the funds to serve additional clients, improve service quality, or attain other performance outcomes; and
- the feasibility of eliminating, continuing, or expanding this program.

Background

Beginning in 1996, the Legislature enacted community-based care initiatives that significantly privatize foster care and adoption services.[1] The Legislature required the Department of Children and Families to establish private, community-based entities known as lead agencies to perform the management, fiscal, and direct service operational responsibilities that had been

[1] Chapters 96-402, 98-180, and 2000-139, *Laws of Florida.*

previously done by the department's district offices. Lead agencies are to plan, administer, and deliver client services; ensure that services are delivered in accordance with state and federal laws; and coordinate with other local public or private agencies that offer client services. Lead agencies are to provide foster care and adoption services in all Florida counties by January 1, 2003. As of June 30, 2001, two lead agencies were providing services in four counties, and four providers were in the process of becoming lead agencies covering eight additional counties.

Several child welfare programs can earn "excess" federal earnings. These programs are funded through a combination of state and federal funds, with the federal government matching eligible state or local expenditures. Depending on the type of service or activity, the federal government will reimburse Florida between 50% and 75% of the expenditures for services eligible for funding under Title IV-E and Title XIX of the Social Security Act. The Legislature appropriates funds to these programs based on estimates of the number of clients to be served, the expected amount of federal matching funds, and the amount of available state revenue. If the client mix served or the actual services provided differ from the projected level, the state's federal earnings will increase or decrease accordingly.

Any excess federal funds related to the child welfare program are deposited in the department's Federal Grants Trust Fund as unrestricted cash because the state has already met the matching requirements. In Fiscal Year 1999-2000, the department reported earning $14.4 million in excess federal funds. The 1999 Legislature appropriated $8.3 million in excess federal earnings to fund various activities, such as a beginning of the fiscal year advance to the participating lead agency, certification training for child protection workers, family safety program staff salaries, and funding grants for family violence prevention and services. Appendix A shows how the department plans to use $63 million in excess federal earnings anticipated to be received between Fiscal Years 2000-01 and 2002-03.

Chapter 99-206, *Laws of Florida,* established a pilot program in which lead agencies could participate in receiving federal excess earnings. Only providers that were under a foster care privatization contract with the department on July 1, 1999, were eligible to participate. At the inception of the pilot program, four private providers were eligible to participate. However, only one eligible provider expanded the scope of their responsibilities and services sufficiently to become a lead agency and participate in the pilot program—YMCA Children, Youth, and Family Services, Inc. (YMCA), which administers foster care and related services in Sarasota and Manatee counties. [2]

Exhibit 1
Provider's Share of Excess Federal Earnings in 1999-2000 Was $209,690

Calculation of Excess Earnings	
Excess Earnings in Family Safety Budget Entity FY 1999-2000	$14,444,509
YMCA Excess Federal Earnings FY 1999-2000	475,091
Total Excess Federal Earnings	**$14,919,600**
Departmental Uses of Excess Earnings FY 1999-2000	8,334,582
Net Excess Earnings	**$ 6,585,018**
Times: Ratio of YMCA Excess to Total Excess ($475,091 ÷ $14,919,600 = 3.1843%)	3.1843%
YMCA Share of Net Excess Federal Earnings	**$ 209,690**

Source: Department of Children and Families.

Chapter 99-206, *Laws of Florida,* required the department to prepare a schedule and methodology for distributing excess earnings to participating lead agencies. This plan had to be approved by the Governor's Office prior to its use. The department's methodology

[2] The three other eligible privatization pilots were Homeward Bound in Escambia and Santa Rosa counties; Family Services Coalition in Baker, Clay, Duval, Nassau, and St. Johns counties; and Bridges Program in Lake and Sumter counties. According to the department, Homeward Bound and Family Services Coalition did not provide an array of services sufficient enough to become a lead agency and participate. In April 2000, the department terminated the Bridges Program's contract.

establishes steps to be performed by lead agencies and the department to calculate and distribute excess earnings. Under this methodology, the department retains a portion of the excess earnings that are "earned" by lead agencies to fund activities such as developing an improved child welfare data system. Under the methodology, YMCA earned $475,091 in excess federal earning for Fiscal Year 1999-2000, and is eligible to receive $209,690 of these funds (see Exhibit 1).

Findings

Program Has Been Implemented Slowly

Although YMCA's service area earned $475,091 in excess federal funds in Fiscal Year 1999-2000, the department had not been billed for the lead agency's share of these monies ($209,690) as of June 30, 2001, a year after the funds were earned. While the law did not specify a time period in which distribution was to occur, this delay was problematic because it impeded YMCA's ability to timely use the funds. The lead agency's executive director noted that YMCA was able to provide additional services during the year, but could have provided even more services if they had received the excess earnings earlier in the year. Thus, the pilot's slow implementation adversely affected YMCA's ability to maximize service delivery in a timely manner.

The primary factor contributing to the pilot's slow implementation was the time it took the lead agency to compute and validate the amount of excess earnings and the department to develop a system for estimating and distributing excess federal funds. The steps involved in implementing the pilot program are shown in Exhibit 2.

Timely estimation and distribution of excess federal earnings is essential if providers are to effectively use these funds. This should occur early in the fiscal year to enable lead agencies to effectively plan and deliver services. Department staff indicate that excess earnings distributions will be more timely in the future since the methodology has now been developed and approved.

Exhibit 2
Two Years After the Start of the Pilot the Department Has Yet to Distribute Excess Federal Earnings

Schedule for Distribution of Excess Federal Earnings	Completed
Effective date of Excess Federal Earnings Pilot Program	May 26, 1999
Provider collects financial data for fiscal year	July 1, 1999 – June 30, 2000
Department completes annual June 30 trust fund cash analysis to determine amount of excess federal earnings for most recent fiscal year (in this case, FY 1999-2000)	September 15, 2000
Provider analysis of excess earnings submitted to DCF contract manager	December 19, 2000
DCF submits schedule and methodology to Executive Office of Governor for approval	January 29, 2001
Executive Office of Governor approves department's schedule and methodology	March 9, 2001
DCF contract manager approves and forwards provider analysis of excess federal earnings to Revenue Management	March 9, 2001
DCF determines amount of excess federal earnings to be returned to provider	April 3, 2001
DCF requests budget amendment approval from Governor's Office	May 15, 2001
DCF amends provider's contract	June 29,2001
DCF disburses excess federal earnings to provider	Pending billing by provider

Source: Chapter 99-206, *Laws of Florida,* and the Department of Children and Families.

Program Shows Promise Despite Pilot's Limited Results

Preliminary indications are that the pilot program is having positive effects.

- It has provided an incentive for the participating lead agency to modify its practices to draw down more federal dollars into the child welfare system.

- It has provided additional community resources to fund services to clients, which supports the legislative intent for privatizing child welfare services.
- The YMCA plans to use its excess earnings to provide additional services to families and youth. However, because these funds have not yet been distributed, we could not assess how the agency spent the additional funds, nor could we evaluate whether these funds actually resulted in improved program services and better outcomes.

YMCA earned more federal reimbursement than department, modified practices to maximize earnings

Preliminary data indicate that the pilot has met the Legislature's goal of influencing lead agency behavior to maximize federal dollars available for community-based foster care services. According to program staff, the YMCA had a higher federal earnings rate than the department because the YMCA has more budget flexibility than the department. As a result, the YMCA was able to earn dollars in ways the department could not.

The YMCA's higher earnings performance was due to its use of Temporary Assistance to Needy Families (TANF) funds for in-home support services. The Legislature had originally appropriated the TANF funds in the out-of-home category and provided other revenue sources such as Title IV-B and Social Services Block Grant for in-home services. Since TANF is reimbursed at 100% and other revenue sources are reimbursed at lower rates (e.g., Title IV-B at 75%), the YMCA was able to use its budget flexibility to use surplus TANF funding in lieu of the funds the department was required to use. This enabled the YMCA to earn more federal reimbursement dollars than the department for those services.

However, in the long term it will not be feasible for lead agencies to rely on TANF funds to generate excess earnings because the amount of TANF funds that Florida receives is capped. As a result, wide use of these funds for pilot project matching would reduce the amount of TANF funds that are available for other needs such as job training and child care services for former welfare recipients. Further, Congress must reauthorize the TANF program in 2002, and it is not clear that the program's widespread use in child welfare will continue to be authorized.

The YMCA is better able to track and plan for its excess earnings. The YMCA's executive director told us that the agency has supplemented its internal financial reports to better track the amount of excess earnings throughout the year. This should enable the agency to make quicker estimates of its excess earnings in the future. The YMCA is also modifying its program models to better plan and budget future excess earnings, which will help it to use excess earnings to improve service delivery.

YMCA plans to use additional federal funds to provide more services to clients

Because the YMCA has not received additional funds under the pilot, we could not assess how funds were used or whether the additional funds resulted in improved outcomes. However, the YMCA has developed plans for using these funds, which include providing more services to clients.

The YMCA plans to use its $209,690 in excess earnings to draw down an additional $273,689 in federal funds for foster care services and adoption assistance payments. These services include the costs of providing food, clothing, shelter, daily supervision, etc., to children in licensed out-of-home care. The lead agency also plans to use the remainder of its excess earnings to obtain federal funds for adoption assistance payments, including cash assistance to adoptive parents, plus assistance for treatment of pre-existing medical or psychological conditions for special needs children who are adopted. In anticipation of receipt of the excess earnings, the lead agency was able to use other revenue sources to enhance services. For example, the YMCA's executive director told us they were able to hire more case managers. This resulted in reduced workloads for case managers, increased visits, and more intensive services for clients. The executive director said he anticipates that this will reduce the children's length of stay in foster care.

Additional community resources likely to result in better client and policy outcomes

Because the department had not distributed the lead agency's share of excess earnings, we could not determine whether additional resources have resulted in better quality of services or better client outcomes. However, preliminary indications are that the lead agency is generally providing quality services and achieving desirable results. In addition, the pilot project is likely to result in better policy outcomes by increasing local control for foster care services and the lead agency's funding flexibility.

Although this lead agency is generally meeting performance standards, not all providers may produce at the same level of performance. In our March 2001 *Justification Review of the Child Protection Program,* we found that this lead agency was generally meeting its quality of service standards and performance outcomes.[3] We found that among three of the child protection privatization pilots the YMCA was the most successful in meeting performance outcomes. For example, the YMCA was the only privatization pilot to meet the performance standards for length of stay in foster care and preventing children from reentering foster care after reuniting with their parents (see Appendix B). Absent any dramatic changes in the lead agency, providing these additional resources to the local service delivery area should allow the lead agency to maintain its performance.

Likewise, preliminary indications are that the pilot project is likely to result in better policy outcomes, too. One of the Legislature's policies is to increase local control and flexibility for service delivery. According to the lead agency's executive director, the pilot project has enabled his organization to exercise more control and use more flexibility in matching funding sources with service needs. The executive director told us that specific sources of money are available to spend on specific services or specific children. Some of these sources, such as independent living funds, are very small and used very quickly, and other sources, such as those for providing adoption subsidies, are larger but more difficult to use. The pilot project provides the lead agency with the control and flexibility to use excess earnings to meet greater service needs.

Further, future lead agencies may not be as effective or capable as the participating lead agency. For example, the client or service mix in a particular area may prevent a lead agency from generating excess earnings without local participation. In addition, there is no statutory requirement mandating the use of excess earnings for client services. Future lead agencies may not use excess earnings in the manner in which the participating lead agency did, for additional client services. To monitor the effectiveness of lead agencies' use of excess earnings, the department should establish reporting requirements for the lead agencies.

Legislature Should Establish Program

Because s. 409.1671(8), *Florida Statutes,* sets June 30, 2002, as the pilot's expiration date, the 2002 Legislature will need to act if it wishes to continue the excess federal earnings distribution program. We assessed three options—eliminating the pilot program; extending the pilot program for a set time period; and continuing and establishing the program. The advantages and disadvantages to these three options are summarized in Exhibit 3.

We concluded that continuing and establishing the program would be in the state's best interest.

[3] OPPAGA completed a statutorily mandated review of the department's child protection program, *Justification Review Child Protection Program,* Report No. 01-14, March 2001.

Option 1: Allowing the pilot program to expire could result in loss of federal funds

The first option would be to allow the pilot program to expire on June 30, 2002, as scheduled. The potential advantage of this option is that it would enable the department to retain all federal excess earnings accruing in the Federal Grants Trust Fund and the Legislature to appropriate these funds for state purposes such as improving the child welfare data systems.

However, allowing the pilot to expire may reduce the lead agency's incentive to use federal, state, and local revenue in the most effective and efficient manner to earn additional revenue. As more lead agencies assume responsibility for foster care services, the amount of excess earnings available to the state could diminish.

Option 2: Extending the pilot program is feasible

The second option is to extend the pilot project beyond its scheduled expiration of June 30, 2002. Under this option, the Legislature would reauthorize s. 409.1671(8), *Florida Statutes,* but establish a new sunset date such as June 30, 2005. This extension would provide more time to enable the pilot program to be fully implemented, and enable the Legislature to assess how lead agencies used the additional funds to improve outcomes. It also would enable the Legislature to continue to use a portion of excess earnings for projects such as improving data systems that have a statewide benefit. Under this option, the Legislature could expand the pilot project to enable additional lead agencies to participate in the program as they become operational.

However, a prolonged pilot project may not be necessary. The one lead agency that has participated in the program has positively responded to the program's incentives and has proactively changed its internal operations to improve community foster care services and maximize federal excess earnings. Consequently, the program's design appears to be working and meeting legislative intent.

Option 3: Continuing and establishing the program is preferred

The third option is to continue and establish the program statewide. Under this option, the Legislature would reauthorize s. 409.1671(8), *Florida Statutes,* and eliminate the sunset date. The Legislature would also expand the program to include all lead agencies as they become operational. This option would maximize the potential benefits of the pilot project. It would provide an incentive for all lead agencies, which are to be operational statewide by January 1, 2003, to focus on improving client services and to closely track expenditures to maximize federal excess earnings.

To maximize excess earnings, lead agencies should use federal funding sources that are uncapped, such as Medicaid and Title IV-E. Under TANF, Florida receives a fixed amount, which it then allocates to a variety of programs. To use more TANF in one program reduces the amount of TANF available for other allocations. Therefore, using state funds to draw down Medicaid and Title IV-E funds makes sense because they are not capped like TANF funds.

Under this option, the Legislature would not have full information on the potential effects of the pilot project before making its decision on continuation, as it would have data on how only one lead agency used excess federal earnings during one year. However, given the state policy that mandates full privatization of services by 2003, it would be appropriate for the state to allow the providers who earn excess federal funds by serving more clients than anticipated to retain the funds earned through this improved performance. This would provide an incentive for the private providers to maximize public services and maintain strong accounting data.

Exhibit 3
The Legislature Should Establish the Excess Federal Earnings Distribution Program on a Statewide Basis

Options	Advantages	Disadvantages
1 Allow pilot to expire	▪ All excess earnings accruing in the Federal Grants Trust Fund could be used for state purposes.	▪ Short-lived benefit; as more lead agencies assume responsibilities, amount of excess earnings available to the state will diminish ▪ No incentive for lead agencies to maximize the use of federal dollars ▪ Reduced funding for state and local purposes after June 30, 2002
2 Continue pilot, allowing other lead agencies to participate	▪ Additional resources to the lead agency to be used within local service delivery area ▪ Provides flexibility to lead agencies to use state and federal revenue more effectively ▪ Allows the Legislature to further evaluate and modify the pilot before it is established	▪ Requires further legislative action after 2002 to determine whether to eliminate the pilot or establish the pilot on a statewide basis ▪ Could reduce the funding source for some current statewide needs, requiring the use of other funds or the reduction of expenses
3 Establish program	▪ All of the advantages of Option 2, except this option would not provide the Legislature with a specific time frame for re-evaluating the pilot ▪ Reduces the need for further legislative action after the 2002 session	▪ Could reduce the funding source for some current statewide needs, requiring the use of other funds or the reduction of expenses

Source: Office of Program Policy Analysis and Government Accountability.

While establishing the pilot project would tend to reduce the amount of excess federal earnings that are retained by the department for uses such as improving data systems, the department would have the ability to retain a portion of these funds to meet such statewide needs. Accordingly, we did not identify any compelling reason for not continuing and establishing the program during the 2002 session.

Conclusions and Recommendations

Although the excess federal earnings distribution pilot program has been slowly implemented and has produced limited results to date, it has merit and should be continued. Based upon preliminary evidence, the pilot has influenced the participating lead agency to modify internal processes in order to increase the availability of federal funding for the community-based foster care program, which could be used to provide more services or serve more clients. Since the pilot expires June 30, 2002, the Legislature will need to act during the 2002 session to continue the program.

Accordingly, we recommend that the Legislature amend s. 409.1671(8), *Florida Statutes*, to continue the program and establish it on a statewide basis. This will enable additional lead agencies to participate in the program after they have contracted with the department to assume lead agency duties.

To ensure accountability for the excess federal earnings distribution program, we recommend that the Legislature amend s. 409.1671(8), *Florida Statutes*, to require participating providers to annually report to the department how they have used their excess federal earnings. These reporting requirements should be sufficient to demonstrate that the lead agency is using any excess federal earnings to provide additional services rather than such things as providing unrelated infrastructure, executive bonuses, or unnecessary reserves. These reporting requirements should, at a minimum, consist of such information as

- the source of excess earnings (e.g., TANF, Title IV-E, Medicaid, etc.);
- the number of additional clients served with additional funds;
- the type, mix, and quality of services provided; and
- the outcomes that resulted from the additional funds.

The department should submit an annual report to the Legislature summarizing this information prior to the 2003 session, which will provide the Legislature with greater assurance that the purposes of the program are being achieved. This data should include information on how the lead agencies use their excess federal earnings, the additional clients served and/or services provided, and any service quality enhancements or improved client outcomes achieved.

To ensure that the excess federal earnings are distributed to lead agencies in a timely manner, the department should also report when excess earnings for Fiscal Years 2000-01 and 2001-02 were calculated and distributed to the lead agencies. If the department has not made timely estimations or distributions of the excess earnings, the Legislature should consider establishing a deadline for these actions.

Agency Response

In accordance with the provisions of s. 11.45(7)(d), *Florida Statutes*, a draft of our report was submitted to the Secretary of the Department of Children and Families to review and respond.

The Secretary's written response is reprinted herein beginning on page 11.

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John W. Turcotte, OPPAGA Director

Appendix A
Departmental Uses of Excess Federal Earnings

Because the state has already met the matching requirements, excess federal earnings become unrestricted cash. The funds have been accumulated in the department's Federal Grants Trust Fund from which the Legislature may make appropriations for departmental purposes. As of July 1, 2000, the department reported an unrestricted cash balance of $37,863,477 in the Federal Grants Trust Fund. The department estimates annual excess earnings of $9,665,000 for Fiscal Years 2001-02 and 2002-03. The department anticipates using the unrestricted cash balance and future excess earnings for a variety of recurring and non-recurring uses as shown in Table A-1.

Table A-1
Department Anticipates Using $63,007,263 in Excess Federal Earnings
From July 1, 2000, Through June 30, 2003

	Fiscal Years		
Anticipated Use of Excess Earnings	**2000-01**	**2001-02**	**2002-03**
Beginning Balance	$26,805,472	$13,551,712	$7,716,677
Uncollectible Grants	(5,869,572)		
Investment Balance	11,058,005		
Projected Excess Earnings	14,665,000	9,665,000	9,665,000
Total	**$46,658,905**	**$23,216,712**	**$17,381,677**
Recurring Uses			
Community-Based Care Leave and Lease Buyouts	$ 4,400,243	$ 1,275,218	$ 1,275,218
Family Safety Program Office Salaries	2,900,000	2,900,000	2,900,000
SACWIS related costs (HomeSafenet)	2,776,817	2,776,817	2,776,817
Trust Fund Reserve	2,333,000	483,000	483,000
Initiatives to provide support to Protective Investigations and Foster Parents	1,900,000	1,900,000	1,900,000
Family Safety Data Processing Needs	1,800,000	1,800,000	1,800,000
Family Safety Child Welfare Training Salaries	1,665,000	1,665,000	1,665,000
Replace funds for lost due to privatization for some Family Safety and Economic Self-Sufficiency positions	400,000	600,000	600,000
Community-Based Care Risk Pool	0	2,100,000	1,000,000
Total Recurring Uses	**$18,175,060**	**$15,500,035**	**$14,400,035**
Non-Recurring Uses			
Fund shift to maximize federal revenue	$ 5,000,000		
Protective Investigator Backlog Reduction Efforts	4,381,625		
Replace Lapse by Senate	2,043,855		
Litigation Costs related to Child Welfare Services	1,000,000		
SACWIS (HomeSafenet)	818,390		
Mental Retardation Defendant Program - Forensic Bed Expansion	599,757		
Child Welfare Legal Services Salaries	450,000		
Other Uses	638,506		
Total Non-Recurring Uses	**$14,932,133**	**$0**	**$0**
Total	**$33,107,193**	**$15,500,035**	**$14,400,035**
Ending Cash Balance	**$13,551,712**	**$ 7,716,677**	**$ 2,981,642**

Source: Florida Department of Children and Families, Analysis of Federal Grants Trust Fund, May 24, 2001.

Appendix B
Child Protection Privatization Pilots' Outcome Performance Shows Two Did Not Meet Any Goals

A review of outcome data for the three child protection privatization pilot projects for which data was available found that two of the pilot projects were not successful at meeting any of their performance goals. Moreover, none of the pilot projects met the standards for preventing reabuse of children during or one year after services. Only one of the pilot projects—the Sarasota County Coalition (YMCA)—met outcome standards for the length of stay in foster care and preventing children from reentering foster care after reunification with their parents.

Table B-1
YMCA Was the Most Successful Child Protection Privatization Pilot Program

Project Name	Percentage of Children Not Reabused or Neglected During Service Provision (Standard 97.0%)	Percentage of Children Not Reabused or Neglected One Year After Closure of Services (Standard 95.0%)	Average Length of Stay for Children with Goal of Being Reunified with Parents (Standard 18 Months)	Percentage of Children That Reenter Foster Care Within One Year of Being Reunified with Parents (Standard 3.0%)
Family Services Coalition	93.8%	88.9%	31.6	16.7%
YMCA - Sarasota County Coalition for Families and Children	91.8%	92.5%	10.3	0.0%
Bridges Program[1]	76.1%	86.2%	NA	21.6%

[1] The contract of the Bridges Program's parent organization, the Lake County Boys Ranch, was terminated in Fiscal Year 1999-2000 and the outcomes available reflect children who had been in their care prior to termination.

Source: Department of Children and Families.

FLORIDA DEPARTMENT OF
CHILDREN
& FAMILIES

Jeb Bush
Governor

Kathleen A. Kearney
Secretary

August 27, 2001

Mr. John Turcotte
Office of Program Policy Analysis
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Tallahassee, Florida 32399-1475

Dear Mr. Turcotte:

Thank you for your July 27 letter regarding your preliminary findings and recommendations for the Foster Care Excess Federal Earnings Program. We appreciate the opportunity to respond to the findings in this report.

Our Department has reviewed your report and generally concurs; but we wish to clarify several findings and recommendations.

First, the seemingly slow implementation of the program was due to the cooperative effort of our department and the lead agency (YMCA Children, Youth and Family Services, Inc. in Sarasota) to ensure both adherence to federal regulations and maximization of any possible federal earnings. A claim for excess earnings was submitted by the lead agency, reviewed onsite by our Department and modified to use TANF excess budget otherwise available to our Department rather than claiming the expenditures as allowable Title IV-E expenditures. This effectively doubled the amount of excess earnings available to the lead agency due to the difference in the amount of state matching funds required.

Second, as stated in the report, our Department will be able to distribute these earnings on a more timely basis in the future. This is due to having obtained an approved calculation and distribution plan from the Executive Office of the Governor and to gaining experience in the methods of determining the actual earnings amount.

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The Department of Children and Families is committed to working in partnership with local communities to ensure safety; well-being and self-sufficiency for the people we serve.

Our Department also wants to comment about the potential selection of Option 3: "Continuing and Expanding the Program Preferred." As presented in the report, it appears that Option 3 could be selected at no cost to the Legislature or the citizens of Florida; however, this is clearly not the case. The cost to the Legislature of this approach would be reduced excess earnings for their direct appropriation and control. In recent years, the Legislature has assumed oversight responsibility of these funds. To the extent that the method chosen by the lead agency to generate excess earnings would otherwise be available for our Department, or where the generation of excess earnings is solely attributable to the local client or service mix, the Legislature would be giving up a revenue source available to use for other state needs.

OPPAGA Director's Comment

On page 7 of our report we clearly state that establishing the pilot project would tend to reduce the amount of excess federal earnings that would be retained by the department for uses such as improving data systems. As more lead agencies become operational the amount of excess earnings generated by the department would be reduced. However, the Legislature is still responsible for appropriating excess federal earnings, as stated on page 2 of our report.

If you have any further questions, please call Amy Baker, Chief Financial Officer, Department of Children and Families, at (850) 488-6062.

Very truly yours,

/s/ Kathleen A. Kearney
Secretary