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To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

ISSUE

Minor Policy and Technical Changes -- Student Loan Interest Appropriation (HEAB)

GOVERNOR

No provision.

MODIFICATION

Delete an existing sum sufficient appropriation with \$273,800 GPR annually for the payment of interest on monies borrowed from the Investment Board in the 1970s to make student loans.

Explanation: The last of the student loans related to this interest payment were written off as uncollectible in 1992-93. In 1996-97, HEAB paid \$273,800 GPR to the Investment Board and the Investment Board deposited these monies into the general fund as GPR-Earned. Rather than continuing this transfer of funds, the appropriation could simply be eliminated. The fiscal effect of this modification would be a reduction of \$273,800 GPR annually; because no GPR-Earned amount was included in SB 77 attributable to this transfer, no adjustment to the GPR-Earned amounts under the bill needs to be made. HEAB would continue to deposit any residual collections from these loans into the general fund regardless of whether this appropriation is deleted.

Modification	GPR
1997-99 FUNDING (Change to Bill)	- \$547,600

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

Prepared by: Merry Larsen

MO# *Hodge*

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

HIGHER EDUCATIONAL AIDS BOARD

Grant to Lac Courte Oreilles Ojibwa Community College

Motion:

Move to provide \$564,000 GPR annually in a new, annual appropriation for a grant to the Lac Courte Oreilles Ojibwa Community College.

Note:

This motion would provide \$564,000 GPR annually in a new, annual appropriation within HEAB's budget for a grant to Lac Courte Oreilles Ojibwa Community College.

[Change to Bill: \$1,128,000 GPR]

MO# 3041

JENSEN	Y	<del>N</del>	A
LEHMAN, M.	Y	<del>N</del>	A
HARSDORF	Y	<del>N</del>	A
ALBERS	Y	<del>N</del>	A
GARD	Y	<del>N</del>	A
KAUFERT	Y	<del>N</del>	A
LINTON	X	N	A
ZCOGGS	X	N	A
BURKE	X	N	A
DECKER	Y	<del>N</del>	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	Y	<del>N</del>	A
COWLES	Y	<del>N</del>	A
PANZER	Y	<del>N</del>	A

AYE 6 NO 10 ABS

HIGHER EDUCATIONAL AIDS BOARD

Indian Student Assistance Grant Program

Motion:

Move to provide \$779,900 GPR annually for the Indian student assistance grant program. In addition, increase the state's maximum annual GPR grant from \$1,100 to \$2,200 per student.

Note:

A total of \$779,800 GPR annually is currently provided for grants based on financial need, to resident Native American undergraduate or graduate students attending college in Wisconsin. Prior to Act 27, \$1,559,700 GPR annually was provided for the program and the maximum annual GPR grant from the state was \$2,200 per student. This motion would restore funding for the program to the 1994-95 base level and increase the maximum GPR grant to \$2,200 per student.

[Change to Bill: \$1,559,800 GPR]

MO# 2060

JENSEN	Y	<del>N</del>	A
LEHMAN, M.	Y	<del>N</del>	A
HARSDORF	Y	<del>N</del>	A
ALBERS	Y	<del>N</del>	A
GARD	Y	<del>N</del>	A
KAUFERT	Y	<del>N</del>	A
LINTON	X	N	A
COGGS	X	N	A
BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	Y	<del>N</del>	A
COWLES	Y	<del>N</del>	A
PANZER	Y	<del>N</del>	A

AYE 7 NO 9 ABS \_\_\_\_\_

# HIGHER EDUCATIONAL AIDS BOARD

## LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
7	Independent Student Grant
8	Nursing Student Stipend Loans
9	State Student Incentive Grant Program
10	Small Agency Infrastructure Support
13	Recreate Educational Approval Board and Attach it to HEAB

## LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
6	Rename the Academic Excellence Scholarship Program
11	Minnesota-Wisconsin Student Reciprocity Agreement

# Educational Communications Board

(LFB Budget Summary Document Page 208)

## LFB Summary Item for Which Issue Papers Have Been Prepared

Item #

Title

2

Transfer of Certain Distance Education Functions (see Paper #790)

# EDUCATIONAL COMMUNICATIONS BOARD

## LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
3	Reduce Supplies and Services Funding
5	Fuel and Utility Funding
6	Gifts and Grants Funding

## LFB Summary Item to be Addressed in a Subsequent Paper

<u>Item #</u>	<u>Title</u>
4	Debt Service Reestimate

# Public Defender

(LFB Budget Summary Document - Page 456)

## LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Unspecified Budget Reductions (Paper #645)
4	Sexual Predator Caseload (Paper #646)
5	Sentencing Alternatives (Paper #647)

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Educational Technology (UW System)

[LFB Summary: Page 621, #2]

## CURRENT LAW

The University of Wisconsin (UW) System assesses a student technology fee, which is approximately 2.5% of total tuition revenues for students at UW-Madison and 2% of total tuition revenues for students at the other UW System campuses. The fee is used to provide students with additional resources in the area of instructional technology such as e-mail, Internet access, updated software, additional staffing and longer hours at computer labs and help desks.

## GOVERNOR

Create an annual appropriation and provide \$3,697,700 GPR in 1997-98 and \$5,713,200 GPR in 1998-99 and increase program revenues from tuition and special fees by \$2,502,300 PR in 1997-98 and \$3,716,800 PR in 1998-99 for educational technology. Specify that the Board of Regents would have to use the GPR funding for the following purposes: (a) the student information system (SIS); (b) the development of system technology infrastructure; (c) the development of curricula to train students enrolled in the schools of education in the use of technology in primary and secondary (K-12) schools; (d) to provide professional development in the use of educational technology for K-12 teachers; (e) to provide faculty with educational technology and to train faculty in its use; and (f) to pay the Department of Administration (DOA) for telecommunications services provided under the Division of Information Technology.

The administration indicates that the \$15,630,000 of total funding would be allocated as follows: (a) student information system--\$2,630,000; (b) infrastructure--\$4,000,000; (c) K-12

teacher professional development and schools of education curricula development--\$2,000,000; (d) faculty educational technology and training--\$3,000,000; and (e) DOA telecommunications services (BadgerNet access)--\$4,000,000.

Educational technology would be defined as technology used in the education or training of any person or in the administration of an elementary or secondary school and related telecommunications services.

## DISCUSSION POINTS

1. In its agency budget request submitted to DOA in September, 1996, the UW requested additional funding and positions for technology initiatives, including technology infrastructure development, curricular redesign and technical support, library technology development, the SIS, K-12 educational initiatives, a Regents incentives fund for faculty technology projects and access to BadgerNet. Additionally, the UW requested an increase in application fees from \$28 to \$35 for undergraduate admissions and from \$38 to \$45 for graduate school, law school and medical school admissions in order to provide partial funding for the SIS.

2. The technology initiatives in SB 77 would increase average tuition by approximately 0.5% in 1997-98 and an additional 0.3% in 1998-99. On average, this tuition increase would represent an approximate \$15.10 annual increase for each FTE student in 1997-98 and an additional \$9.80 annual increase for each FTE student in 1998-99, based on Fall 1996 systemwide FTE enrollment data.

3. Under the 1993-95 state budget, UW-Madison was granted the authority to assess a 1.5% student technology fee which increased student fees at UW-Madison by \$4.46 million over the 1993-95 biennium. At the time, UW-Madison indicated that it would utilize the increased revenues to expand student access to various technologies as well as provide support for curriculum development by faculty and staff. The student technology fee was expanded to the other campuses for similar purposes under the 1995-97 state budget.

4. The UW System indicates that revenues from the student technology fee have primarily been used for student technology needs, which has resulted in inadequate resources for faculty curriculum development projects. Arguably, since a designated revenue source was established for this purpose, the UW should provide for its technology needs from the technology fee without seeking an increase in tuition revenues or additional state GPR funding. On the other hand, as technology needs for higher education expand, arguably funding outside of student fees and tuition should be provided to meet these needs, particularly to fund faculty technology needs that might only indirectly benefit students.

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Unspecified Budget Reductions (Public Defender)

[LFB Summary: Page 456, #2]

## CURRENT LAW

The State Public Defender has base GPR funding of \$55.9 million and 529.6 GPR positions for state operations.

## GOVERNOR

Delete \$816,900 GPR in 1997-98 and \$987,600 GPR in 1998-99 from the Public Defender's trial representation appropriation to reflect budget reductions. Require the Public Defender to submit a report to the Governor and Joint Committee on Finance, by October 1, 1997, indicating the agency's proposal for allocating the reductions among the agency's sum certain, general purpose revenue appropriations.

## DISCUSSION POINTS

1. According to the "Budget in Brief" document, the Governor recommends permanent reductions of approximately 2% per year of GPR state operations funding for some state agencies, the Courts and the Legislature. For the Public Defender, DOA officials indicate that they took into account specific reductions under the bill in the calculation of the required reductions. The unspecified reductions represent a cut of 1.46% in 1997-98 and 1.77% in 1998-99 from the agency's GPR base for state operations.

2. Under the bill, the Public Defender would be required to submit a report to the Governor and Joint Committee on Finance concerning the agency's proposal for allocating the unspecified reductions. On similar provisions relating to the Arts Board and Historical Society, the Committee voted to require that the report be subject to the approval of the Joint Finance Committee under a 14-day passive review process. To be consistent with the treatment of those agencies, the bill could be modified to include a 14-day passive review of the Public Defender's proposal to allocate the unspecified funding reductions. The modification would permit the recommended GPR reductions to be implemented, if the Committee approves the proposal or does not schedule a meeting to review it within 14 working days after its receipt.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to delete \$816,900 GPR in 1997-98 and \$987,600 GPR in 1998-99 from the Public Defender's trial representation appropriation. In addition, require the Public Defender to submit a report to the Governor and the Joint Committee on Finance, by October 1, 1997, indicating the agency's preference for allocating the reductions among the agency's sum certain, general purpose revenue appropriations.

2. Approve the Governor's recommendations, with a modification to specify that the Public Defender's proposed allocation of the unspecified reductions submitted to the Joint Committee on Finance would be subject to approval under a 14-day passive review process.

Prepared by: Carri Jakel

MO# Alt # 2

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Sexual Predator Caseload (Public Defender)

[LFB Summary: Page 457, #4]

## CURRENT LAW

1993 Wisconsin Act 479 (the sexual predator law) created Chapter 980, which provides for involuntary civil commitment of sexually violent persons to secure mental facilities prior to their release from custody of the Department of Corrections (DOC) or the Department of Health and Family Services (DHFS). A "sexually violent person" is defined as someone who has been: (1) convicted of a sexually violent offense; (2) adjudicated delinquent for a sexually violent offense; or (3) found not guilty of, or not responsible for, a sexually violent offense by reason of insanity or mental disease, defect or illness. Sexually violent offenses include first or second degree sexual assault, first or second degree sexual assault of a child, engaging in repeated acts of sexual assault of the same child, incest with a child or child enticement. Chapter 980 became effective on June 2, 1994.

If a person subject to a petition filed under Chapter 980 is indigent, he or she is entitled to representation by the State Public Defender.

Caseload levels for Public Defender staff attorneys are statutorily set for budget purposes. Currently, each attorney must annually handle the equivalent of 15 first degree homicide cases, 184.5 felony cases, 492 misdemeanor cases or 246 other cases. Sexual predator cases are currently counted as felony cases for the purposes of staff caseloads.

## GOVERNOR

Provide \$284,700 GPR in 1997-98 and \$502,300 GPR in 1998-99 for: (a) increased costs associated with creating a special statutory caseload standard of 15 cases per year for staff attorneys for sexual predator cases (\$123,700 in 1997-98 and \$341,300 in 1998-99); and (b) expert witness costs associated with those cases (\$161,000 annually). The caseload standard, which would be the same as the standard for first degree homicide cases, would be in effect through June 30, 1999. In addition, require the Public Defender to submit a report to the Legislature by October 1, 1998, specifying and evaluating the time spent by Public Defender attorneys in representing sexual predator cases.

## DISCUSSION POINTS

1. According to the Public Defender, because of the complex nature of Chapter 980 commitment cases, they typically require as much, or more, time as required for first degree homicide cases. To date, Chapter 980 cases that have been handled by the Public Defender have involved between 144 attorney hours and 291.5 attorney hours, while homicide cases average 108 attorney hours.
2. Staff in the Public Defender's office indicate that attorneys are becoming less willing to take sexual predator cases without being properly credited for the amount of time actually being spent defending these cases.
3. Under the bill, it is assumed that the Public Defender would handle 92 sexual predator cases, with one-half being defended by staff attorneys and one-half assigned to the private bar. However, based on current caseload, it is now estimated that 70 new sexual predator petitions will be filed each year.
4. Given that the persons subject to Chapter 980 are in custody of either DOC or DHFS, it is assumed that all would be eligible for representation by the Public Defender. Assuming staff attorneys handle one-half of the cases, it is estimated that 35 cases would be handled by Public Defender staff attorneys and 35 would be assigned to private bar attorneys.
5. As a result of the revised caseload estimates, private bar costs under the bill can be reduced by \$140,600 in 1997-98 and \$252,700 in 1998-99.
6. If the new caseload standard is not adopted, additional private bar funding would be needed. However, because of the caseload reestimates, total funding needed would be less than under the bill (-\$128,400 in 1997-98 and -\$217,600 in 1998-99).
7. Public Defender officials indicate that the special caseload standard for sexual predator cases is needed so that staff attorneys would continue to handle a portion of these cases.

The Public Defender is responsible for overseeing private bar attorneys handling Public Defender cases. Therefore, Public Defender officials believe it is important for staff attorneys to handle some of these cases so that they can provide proper oversight to private attorneys handling Chapter 980 cases.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to: (a) provide \$284,700 GPR in 1997-98 and \$502,300 GPR in 1998-99 for increased costs associated with creating a special statutory caseload standard, in effect through June 30, 1999, for staff attorneys for sexual predator cases and for expert witness costs associated with those cases; and (b) require the Public Defender to submit a report to the Legislature by October 1, 1998, specifying and evaluating the time spent by the State Public Defender in representing sexual predator cases. Funding under the bill assumes 92 total sexual predator cases handled by the Public Defender annually.

2. Modify the Governor's recommendation by deleting \$140,600 GPR in 1997-98 and \$252,700 GPR in 1998-99 to reestimate the number of sexual predator cases during the 1997-99 biennium.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$393,300

3. Do not create a sexual predator caseload standard, and delete \$128,400 GPR in 1997-98 and \$217,600 GPR in 1998-99 to maintain current law. Under this alternative, it is estimated that 70 sexual predator cases a year would be assigned to private bar attorneys, and the requirement for the Public Defender to submit a report to the Legislature would be deleted.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$346,000

Prepared by: Carri Jakel

MO# AH 32

JENSEN	Y	N	A
ZLEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO D ABS \_\_\_\_\_

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE****Sentencing Alternatives (Public Defender)**

[LFB Summary: Page 458, #5]

**CURRENT LAW**

Property crimes involving: (a) theft; (b) retail theft; (c) theft of library materials; (d) receiving stolen property; (e) fraudulent use of financial transaction cards; (f) issue of worthless checks; (g) graffiti; (h) fraud on a hotel or restaurant keeper or taxicab driver; (i) intentional damage to a machine operated by cash, debit card or credit card; or (j) intentional damage to property are subject to different penalties depending on the value of harm done. Under current law, if the theft or damage does not exceed \$1,000, it is considered a class A misdemeanor (punishable by up to nine months in jail). Crimes which involve values exceeding \$1,000 are felonies (punishable by up to two or more years in prison). In addition, under current law, a person who makes a fraudulent insurance or employe benefit claim is subject to a felony, if the value of the claim or benefit exceeds \$1,000. Further, under current law, certain forgeries are subject to class C felony penalties. Lastly, vehicles which are used to cause more than \$1,000 in damage to cemetery property are subject to seizure and forfeiture.

The average private bar cost for a felony case is \$875 compared to \$325 for a misdemeanor case.

**GOVERNOR**

Delete \$184,700 GPR in 1997-98 and \$672,800 GPR in 1998-99 from the private bar appropriation to reflect attorney cost savings as a result of reducing penalties for certain crimes. The new penalties would be effective for offenses committed on or after August 1, 1997, or on

the day after publication of the bill, whichever is later. The bill would increase from \$1,000 to \$1,500 the threshold for determining whether misdemeanor or felony penalties would apply for the property crimes listed above. In addition, for offenses involving fraudulent insurance or employe benefit claims, the bill would increase the value of a misdemeanor fraudulent claim offense to \$1,500. The bill would also reduce the penalty for forgery crimes involving a purported value of less than \$1,500 from a class C felony to a misdemeanor. Further, under the bill, the value of damage to cemetery property at which a vehicle used in a crime may be forfeited would be increased to \$1,500.

## DISCUSSION POINTS

1. The total number of property crimes cases handled by the Public Defender that may be affected under the bill is estimated at 1,200 annually. Based on a month-long survey of cases, the Public Defender estimates that approximately 20% of these property crimes involve damages valuing between \$1,000 and \$1,500 and, under the bill, would be subject to misdemeanor instead of felony penalties. The savings to the Public Defender would be estimated at \$35,600 in 1997-98 and \$129,500 in 1998-99.

2. The distinction between a misdemeanor and a felony crime, for the property crimes that would be affected under the bill, was last modified in the 1991-93 biennial budget when the Governor recommended, and the Legislature adopted, an increase of the misdemeanor threshold from \$500 to \$1,000.

3. Currently, certain forgery cases are subject to class C felony penalties regardless of the monetary value involved in the criminal activity. These include: (a) falsely making or altering, with intent to defraud, a written instrument to create, terminate or transfer legal rights or obligations, or to represent as evidence of debt or property rights; or (b) uttering or intending to utter as genuine any forged writing or object. Under the bill, if the purported value of the object being forged in these types of cases involves less than \$1,500, the crime would be reduced from a felony to a class A misdemeanor.

4. The Public Defender handles 1,500 forgery cases each year, of which they estimate 67% involve values of less than \$1,500. Therefore, if these crimes were reduced to misdemeanors, savings to the Public Defender would be \$149,100 in 1997-98 and \$543,300 in 1998-99.

5. The Public Defender indicates that many of the forgery cases that they handle involve unauthorized writing, altering or signing checks with values of less than \$1,500. It would seem reasonable that the penalties for these types of forgery cases be consistent with penalties for similar property crimes, such as issuing worthless checks and fraudulent financial card transactions.

6. However, some have voiced concern over lessening the penalties for crimes involving forgeries, particularly businesses that deal with frequent cash transactions, often in the form of checks. Therefore, the Committee may wish to keep the more strict penalties for these forgery crimes.

7. Alternatively, if the Committee does not approve the Governor's recommendation for increasing the misdemeanor threshold in property crimes, the Committee could still consider reducing the crimes for forgeries involving values of less than \$1,000 to make these penalties consistent with similar property crimes. Under this alternative, \$58,000 GPR in 1997-98 and \$211,000 GPR in 1998-99 would need to be restored in the private bar appropriation.

8. According to DOA, the changes in penalties under the bill for a fraudulent insurance or employe benefit claim and for vehicles involved in damage to cemetery property were changed to be consistent with the changes in property and forgery crimes. However, the Public Defender indicates that last year there were only nine cases involving fraudulent insurance or employe benefit claims, and it cannot be determined how many, if any, would be affected under the bill. In addition, the provision regarding seizure and forfeiture of vehicles used to cause damage to cemetery property does not affect the Public Defender, because this affects the penalty given at the close of the case, rather than whether the crime is a misdemeanor or felony.

9. Additional savings could be realized if the misdemeanor threshold was increased further. The Committee could consider increasing the threshold for determining whether misdemeanor or felony penalties apply for certain crimes from \$1,500 to \$2,000. It is estimated that this change would result in an additional 31 property crimes and 131 forgery crimes that would be subject to misdemeanor penalties instead of felony penalties. As a result, savings to the bill could be increased by \$24,100 in 1997-98 and \$87,800 in 1998-99.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to delete \$184,700 GPR in 1997-98 and \$672,800 GPR in 1998-99 from the private bar appropriation to reflect savings from reducing penalties for certain crimes with values involving \$1,000 to \$1,500. Crimes affected would include: (a) theft; (b) retail theft; (c) theft of library materials; (d) receiving stolen property; (e) fraudulent use of financial transaction cards; (f) issue of worthless checks; (g) graffiti; (h) fraud on a hotel or restaurant keeper or taxicab driver; (i) intentional damage to a machine operated by cash, debit card or credit card; or (j) intentional damage to property. In addition, raise the threshold for misdemeanors involving fraudulent insurance or employe benefit claims from \$1,000 to \$1,500. Further, reduce to a class A misdemeanor, certain forgeries involving values of \$1,500, or less. Also, for cases involving vehicles causing damage to cemetery property, increase the value of property for which a vehicle used in a crime may be forfeited from \$1,000 to \$1,500.

2. Modify the Governor's proposal by increasing from \$1,000 to \$2,000 (instead of \$1,500, as provided under the bill) the threshold for determining whether misdemeanor or felony penalties apply for the crimes listed in alternative 1. Reduce the private bar appropriation by an additional \$24,100 GPR in 1997-98 and \$87,800 GPR in 1998-99.

Alternative 2	GPR
1997-99 FUNDING (Change to Bill)	-\$111,900

**FAIL**  
3. Eliminate the Governor's recommendations to reduce penalties for forgeries, and provide an additional \$149,100 GPR in 1997-98 and \$543,300 GPR in 1998-99 to the private bar appropriation.

Alternative 3	GPR
1997-99 FUNDING (Change to Bill)	\$692,400

**PASS**  
4. Eliminate the Governor's recommendations. Instead, reduce the penalty for forgeries involving less than \$1,000 from a class C felony to a class A misdemeanor. This would make penalties for forgery crimes consistent with the current levels which apply to property crimes. Provide additional funding of \$58,000 GPR in 1997-98 and \$211,000 GPR in 1998-99 to the private bar appropriation.

Alternative 4	GPR
1997-99 FUNDING (Change to Bill)	\$269,000

5. Maintain current law.

Alternative 5	GPR
1997-99 FUNDING (Change to Bill)	\$857,500

MO# AK#3

JENSEN	<input checked="" type="checkbox"/>	N	A
LEHMAN, M.	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

Prepared by: Carri Jakel

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 8 NO 8 ABS

MO# AK#4

JENSEN	<input checked="" type="checkbox"/>	N	A
LEHMAN, M.	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

2 BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 11 NO 5 ABS

PUBLIC DEFENDER

Motion:

Move to provide \$800,000 GPR in 1997-98 and \$1,600,000 GPR in 1998-99 to restore Public Defender representation to eligible parents whose children are involved in CHIPS cases.

Note:

[Change to Bill: \$2,400,000 GPR]

MO# 1640

JENSEN	Y	<del>N</del>	A
LEHMAN, M.	Y	<del>N</del>	A
HARSDORF	Y	<del>N</del>	A
ALBERS	Y	<del>N</del>	A
GARD	Y	<del>N</del>	A
KAUFERT	Y	<del>N</del>	A
2 LINTON	<del>X</del>	N	A
COGGS	<del>X</del>	N	A

BURKE	<del>X</del>	N	A
DECKER	Y	<del>N</del>	A
GEORGE	<del>X</del>	N	A
JAUCH	<del>X</del>	N	A
WINEKE	<del>X</del>	N	A
SHIBILSKI	Y	<del>N</del>	A
COWLES	Y	<del>N</del>	A
PANZER	Y	<del>N</del>	A

AYE 4 NO 10 ABS

## **PUBLIC DEFENDER**

### **LFB Summary Items for Which No Issue Papers Have Been Prepared**

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
3	Private Bar - Cost to Continue
6	Paralegal Demonstration Project
7	Trial Attorneys
8	Transfer of Attorney Positions

### **LFB Summary Item to be Addressed in a Subsequent Paper**

<u>Item #</u>	<u>Title</u>
9	Information Technology Support Position

### **LFB Summary Item for Introduction as Separate Legislation**

<u>Item #</u>	<u>Title</u>
10	Release of Certain Confidential Records for Child Support Enforcement and Public Assistance Administration

# Workforce Development

## Child Support

(LFB Budget Summary Document - Page 706)

### LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Centralized Receipt and Disbursement (Paper #990)
1	KIDS Computer System (Paper #991)
3	State Directory of New Hires (Paper #992)
13a&b	Hospital-Based Paternity Establishment (Paper #993)
11	Child Support Privacy Safeguards (Paper #994)

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE****Centralized Receipt and Disbursement (Workforce Development -- Child Support)**

[LFB Summary: Page 707, #2]

**CURRENT LAW****Current State Law**

Under current state law, all payments of child or family support and maintenance must be made through the county clerk of court or a support collection designee in counties which have designated an entity other than the clerk of courts to collect and disburse these payments.

**1996 Federal Welfare Reform Legislation**

Under federal law, by October 1, 1998, state child support agencies are required to operate a centralized, automated unit for collection and disbursement of payments on child support orders enforced by the child support agency and payments on orders issued after December 31, 1993, which are not enforced by the state agency but for which income is subject to withholding. The specifics of how states will establish and operate their disbursement units must be outlined in the state child support plan.

The state disbursement unit must be operated directly by the state agency, by two or more state agencies under a regional cooperative agreement or by a contractor responsible directly to the state agency. The state disbursement unit may be established by linking local disbursement units through an automated information network if the federal Department of Health and Human Services (HHS) agrees that the system will not cost more, take more time to establish nor take

more time to operate than a single state system. All states, including those that operate a linked system, must give employers one and only one location for submitting withheld income.

The disbursement unit must be used to collect and disburse support payments, generate orders and notices of withholding to employers, keep an accurate identification of payments, promptly distribute money to custodial parents or other states and furnish parents with a record of the current status of support payments. The unit must use automated procedures, electronic processes and computer-driven technology to the maximum extent feasible, efficient and economical.

The disbursement unit must distribute all amounts payable within two business days after receiving money and identifying information from the employer or other source of periodic income, if sufficient information identifying the payee is provided. The unit may retain arrearages in the case of appeals until they are resolved. States must use their automated systems to facilitate collection and disbursement including at least: (a) transmission of orders and notices to employers within two days after receipt of the withholding notice; (b) monitoring to identify missed payments of support; and (c) automatic use of enforcement procedures when payments are missed.

These provisions will take effect on October 1, 1998. States (like Wisconsin) that process child support payments through local courts can continue court payments until September 30, 1999.

### **Financial Penalties for Noncompliance with Federal Law**

Under federal law, if a state's child support enforcement program is found by review not to have complied substantially with federal requirements for any quarter and that the program is not complying at the time the finding is made, the state's basic temporary assistance to needy families (TANF) block grant must be reduced in each subsequent quarter until the program is in compliance. The reduction is between 1% and 2% (approximately \$800,000 to \$1.6 million quarterly in Wisconsin) for an initial finding of noncompliance; between 2% and 3% (\$1.6 million to \$2.4 million quarterly) for a second consecutive finding and between 3% and 5% (\$2.4 million to \$4.0 million quarterly) for a third or subsequent finding. If the state was found to be out of compliance for a full year, the maximum penalty would be \$6.4 million in the first year and could increase to \$16 million annually for subsequent findings of noncompliance.

The state would not be penalized if it is determined that the noncompliance was of a technical nature which does not adversely affect the performance of the state child support program. In addition, the state may enter into a corrective compliance plan prior to imposition of a penalty.

Noncompliance with the federal requirements could also place the state at risk of losing federal child support matching funds and incentive payments, which partially fund state and

county child support enforcement activities. These payments total approximately \$65 million annually.

## **GOVERNOR**

Provide \$117,100 GPR, \$227,300 FED, \$750,000 PR and \$112,500 SEG in 1998-99 for the Department of Workforce Development (DWD) to establish a statewide, automated system for the receipt and disbursement of child support, family support, maintenance (alimony), health care expenses, birth expenses and other support-related expenses. The receipt and disbursement system could be operated directly by DWD or by some other entity designated by the Department.

The funding outlined above would total \$1,206,900 in 1998-99. The federal revenue would be from child support matching funds, the program revenue would be from the \$25 receipt and disbursement fee which is currently charged by the clerk of courts, and the segregated revenue would be provided from interest in the support collections trust fund which would be created under the bill. The federal matching funds would be accessed by using state GPR for the system. Federal funds are not available to match revenues from the \$25 fee or interest earnings.

The \$1,206,900 funding amount assumes that the Department would contract with a bank or other vendor to perform the receipt and disbursement function through a lockbox arrangement. The vendor would receive all child support payments from employers and individuals, enter payment information into the statewide KIDS computer system and print and distribute checks to the appropriate payees. The new system would be implemented in half of the state's counties beginning January 1, 1999; the remaining counties would be added on July 1, 1999. Therefore, the \$1,206,900 funding amount for the 1998-99 fiscal year would cover approximately one-fourth of the annual cost of the system. Once fully implemented, the new system is estimated to cost \$4,827,800 per year. All of these funds would be paid to a private vendor.

The Governor's recommendation includes a number of changes to statutes governing support receipt and disbursement, state intercept programs, income withholding, appropriations and other child support provisions. These modifications are outlined in detail in the Appendix.

In general these provisions would take effect on the earlier of: (a) October 1, 1999; or (b) the day DWD publishes notice in the Administrative Register, if the Department determines that the statewide automated support and maintenance receipt and disbursement system will be operational before October 1, 1999.

## **DISCUSSION POINTS**

1. The estimated cost of the system was based on a projection prepared by Firststar Bank in its capacity as state bank. Firststar's projection assumed an annual printing volume of 5.5

million checks, which is a 20% increase over the current estimate. The additional volume is expected to occur because individuals are now billed each month for support payments through the KIDS computer system and the Department intends to implement a number of new child support enforcement measures required by federal law. Another important assumption in the Firststar estimate involves the volume of payments that would be processed through the "retail" lockbox (which is for individual payments) and the "wholesale" lockbox (which is for multiple payments of withheld wages from employers). The cost of processing wholesale payments is significantly greater than the cost of retail payments.

2. As noted, the Department intends to contract with a private bank or other vendor to implement the centralized receipt and disbursement system. DWD expects to issue a request for proposals sometime in calendar year 1998. At this time, the estimate by Firststar Bank appears to be reasonable; however, it is possible that the bidding process will result in different contract costs.

3. In addition to the vendor contract, there is uncertainty regarding the revenue sources that would be available to fund the system. The bill includes \$750,000 PR in 1998-99 from the \$25 annual receipt and disbursement fee. The \$750,000 amount is for six months; the annualized estimate is \$1,500,000.

It is possible that significantly more revenue will be generated from the fee. The Department does not have information concerning past collections of the fee at the county level; however, data is available regarding collections of the fee in calendar year 1997. Through April, approximately \$1.8 million has been collected in 59 counties (including Milwaukee County). April collections totaled approximately \$250,000. The Department indicates that data is not available for the other 13 counties. This information suggests that annual collections of the fee will exceed the \$1.5 million estimate used in the bill. However, DWD notes that collections in 1997 may include some one-time revenues from past-due fees, because the Department initiated billing for the fee through the KIDS computer system in the Fall of 1996.

Other data also indicates that the \$1.5 million estimate may be conservative. According to DWD, there are an estimated 450,000 child support orders in place in Wisconsin. If the \$25 fee were collected for each of these orders, revenues from the fee would total \$11.3 million annually. The \$1.5 million annualized figure used in the budget bill implicitly assumes that the fee would be collected for approximately 13.3% of support orders. Since the KIDS computer system now includes the fee in bills sent to support obligors, it is likely that revenues from the fee will increase. If the Department were able to collect the fee for 50% of support orders, revenues would total \$5.7 million annually, which would be sufficient to fund the entire receipt and disbursement system without using state GPR and federal funds. The \$5.7 million estimate may be optimistic; however, it appears that the \$1.5 million estimate used in the bill is too conservative. After the Department gains more experience with the KIDS system, a more precise estimate will be possible.

Revenue from interest earned in the support collections trust fund is also uncertain. The estimate of \$112,500 SEG used in the bill assumes that annual child support collections processed through the system will be \$864 million, that there will be an average of 3.8 days of "float" for each payment and that the annualized return on the float would be 5%. The \$864 million estimate for total support collections is a 20% increase over the Department's calendar year 1996 estimate at the time the budget figures were prepared (\$720 million). Since that time, collections have increased more quickly than anticipated, primarily due to monthly billing through the KIDS computer system. If collections continue to increase, it is possible that interest earnings could also exceed the amounts estimated in the bill.

3. As outlined above, the centralized receipt and disbursement system is required by federal law. However, there is significant uncertainty regarding the costs of contracting with a vendor to operate the system and the revenues that will be available to fund the system. It is possible that revenues from the \$25 support collection fee and interest earnings would be sufficient to fund the system without using state GPR and federal matching funds. Therefore, the Committee may wish to place the \$117,100 GPR into its appropriation in 1998-99. If necessary, the Department could request these funds, under s. 13.10, after additional information is available regarding the cost of the vendor contract and other revenue sources that will be available to fund the receipt and disbursement system.

### ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$117,100 GPR, \$227,300 FED, \$750,000 PR and \$112,500 SEG in 1998-99 for DWD to establish a statewide, automated system for the receipt and disbursement of support. Approve the statutory modifications related to support receipt and disbursement recommended by the Governor.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$117,100	\$227,300	\$750,000	\$112,500	\$1,206,900
[Change to Bill]	\$0	\$0	\$0	\$0	\$0]

2. Provide \$750,000 PR and \$112,500 SEG in 1998-99 for the centralized receipt and disbursement system. Place \$117,100 GPR in the Committee's appropriation in 1998-99. These monies could be released (along with federal matching revenues), under s. 13.10, if it is determined that these funds will be necessary to fund the centralized receipt and disbursement system. Approve the statutory modifications recommended by the Governor.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$117,100	\$227,300	\$750,000	\$112,500	\$1,206,900
[Change to Bill]	\$0	\$0	\$0	\$0	\$0]

Prepared by: Rob Reinhardt

VOTE OVER →

The following is a list of names and their corresponding status in a certain project. The names are listed in the left column, and the status is indicated by 'X', 'N', or 'A' in the right column.

MO# Alt #2

ZJENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

/ BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

*PAPER #990*

## APPENDIX

### Statutory Changes Recommended by the Governor Relating to Centralized Receipt and Disbursement of Support

The following sections outline the statutory changes recommended by the Governor relating to centralized receipt and disbursement of child support.

#### Receipt and Disbursement of Support

Currently, all orders or judgments providing for temporary or permanent maintenance, child support or family support payments must direct payment to the clerk of court or support collection designee for the use of the person for whom the support has been awarded. The bill would modify this provision to, instead, require all payments of support (including modifications to existing orders or judgements) to be made to DWD or its designee. As under current law, a party securing an order for support would be required to file the order, together with all pleadings in the action, with the clerk of court.

Upon request of a county child support agency, after the filing of an order or judgment or the receipt of an interim disbursement order, the clerk of court would be required to advise the agency of the terms of the order or judgment within two business days after the filing or receipt. The county agency would have to, within the time required by federal law, electronically enter the terms of the order or judgment into the statewide support data system. County agencies would also be required to enter court-ordered revisions to any order or judgment which is maintained on the data system.

The bill would also require DWD or its designee to disburse payments of support in the manner required by federal regulations and to keep records on the amounts of money received and disbursed. Currently these activities are performed by the clerk of court or support collection designee.

Under current law, if support payments are not paid at the time provided in the judgment or order, the clerk of court or support collection designee or the family court commissioner must take proceedings as the clerk or collection designee considers advisable to secure payment, including enforcement by contempt proceedings or by other means. In case any fees of officers in any of the proceedings are not collected from the person proceeded against, the fees must be paid out of the county treasury upon the order of the presiding judge and certification by the clerk of court or support collection designee. The bill would modify this provision to refer to DWD or its designee in the section relating to nonpayment of support and to require the county child support agency (rather than the clerk of court or support collection designee) to initiate proceedings for nonpayment. In addition, the bill would modify the provision regarding fees paid

from the county treasury to require certification by DWD, rather than the clerk of court or support collection designee.

Under current law, a court may order payment of attorney fees by a county in an action in which the court finds that the record of payments and arrearages kept by the clerk of court or the support collection designee is substantially incorrect and that the clerk of court or support collection designee has failed to correct the record within 30 days after having received information that the court determines is sufficient for making the correction. The bill would modify this provision to allow courts to order DWD or its designee to pay attorney fees if the record of payments was incorrect.

The bill would also require DWD or its designee to assume responsibility for the following activities that are now performed by clerks of court or support collection designees: (a) holding overpayments of support in certain circumstances; (b) receiving and disbursing payments for health care expenses and keeping a record of all moneys received and disbursed for such expenses; and (c) receiving and disbursing payments of interest on overdue child support (1.5% per month).

Currently, each order for child support, family support or maintenance payments must include an order that the payer and payee notify the clerk of court or support collection designee of any change of address within ten days. The payer also must notify the clerk or collection designee, within ten days, of any change of employer and of any substantial change in the payer's income that affects his or her ability to pay support. The bill would modify this provision to require notification of the county child support agency, rather than the clerk of courts or support collection designee.

Under current law regarding interstate child support enforcement, a support enforcement agency or a tribunal of this state must disburse promptly any amounts received under a support order, as directed by the order. The agency or tribunal must furnish to a requesting party or tribunal of another state a certified statement by the custodian of the record of the amounts and dates of all payments received. The bill would modify this provision to also allow DWD's designee to perform these activities.

The current provision allowing county boards to designate child support collection designees in place of clerks of court would be repealed. In addition, the bill would delete an existing provision requiring clerks of court or support collection designees to transfer payment records to other counties if an enforcement or modification petition, motion or order to show cause is filed in that other county for an order that originally was filed in the county of the clerk or collection designee.

## **State Intercept Programs**

Under current law, for purposes of the tax intercept program, child support delinquencies or outstanding amounts owed for past support, medical expenses and birth expenses are certified to DWD by county clerks of court or collection designees. DWD then certifies the appropriate amounts to DOR. Amounts recovered from tax refunds or credits by DOR are forwarded to DWD, which distributes these funds to clerks of court and collection designees. The funds are then distributed to the obligee. The bill would require DWD to certify child support delinquencies directly to DOR for the tax intercept program. DOR would be required to send intercepted tax refunds or credits to DWD or its designee for distribution to the obligee. The bill would also require DWD to notify DOR of any collection of a debt that has been certified for tax intercept. Currently, the clerk of court or support collection designee must notify DWD of such collections; DWD then reports this information to DOR.

Under the bill, amounts of unpaid support withheld by DOA from certain state payments would be paid to DWD or its designee for distribution to the obligee. Under current law, such funds are first transferred from DOA to DWD and then distributed to the clerk of court or collection designee for payment to the obligee.

The bill would also specify that DOR would use certifications by DWD or its designee to determine whether a person is delinquent in support for purposes of withholding unpaid support from lottery prizes. Current law does not include a reference to the Department's designee under this provision.

## **Income Withholding**

Currently, court orders for support and certain related costs constitute an assignment of all earnings, pension benefits, unemployment compensation, worker's compensation, lottery prizes that are payable in installments and other money due or to be due in the future to the clerk of court or support collection designee of the county where the action is filed. The bill would provide that the assignment of these sources of income would, instead, be to DWD or its designee. The bill would also require amounts of support withheld from income to be sent to DWD or its designee, rather than to the clerk of court or support collection designee.

Present law requires courts to provide notice of the assignment of income to the last-known address of the person from whom the payer receives or will receive money. If the clerk of court or support collection designee does not receive the money from the person notified, the court must provide notice of the assignment to any other person from whom the payer receives or will receive money. The bill would specify that the notices required under this provision could be provided by a family court commissioner or county child support agency, instead of just by the court. In addition, the reference to clerk of court and support collection designee in the section regarding nonpayment would be changed to DWD or its designee.

Under current law, if an employer who receives an assignment of income for nonpayment of support fails to notify the clerk of court or support collection designee within ten days after an employe is terminated or otherwise leaves employment, the employer may be proceeded against for contempt of court. The bill would require employers to provide this notice to DWD or its designee, rather than to the clerk of court or support collection designee.

### **Transfers from Deposit Account**

Under current law, if the court or the family court commissioner determines that income withholding is inapplicable, ineffective or insufficient to ensure payment of support, the court or commissioner may require the payer to identify or establish a deposit account that allows for periodic transfers of funds. The payer must file with the financial institution an authorization for transfer from the account to the clerk of court or support collection designee. The authorization must include the payer's consent for the financial institution to disclose information to the court, family court commissioner, clerk of court or support collection designee regarding the deposit account.

The bill would modify these provisions to require payment from the account to be made to DWD or its designee and to require consent for disclosure of information to the county child support agency, DWD or DWD's designee, rather than to the clerk of court or support collection designee. In addition, if the account is closed or if no funds are available at the time of transfer, the financial institution would be required to notify the county child support agency, DWD or DWD's designee.

### **Receipt and Disbursement Fee**

Under current law, the clerk of court or support collection designee collects an annual fee of up to \$25 from each party ordered to pay support for receiving and disbursing support payments and maintaining required records. This fee would be repealed under the bill.

Instead, DWD or its designee would be authorized to collect an annual fee of \$25 for receiving and disbursing maintenance, child support or family support payments, and for maintaining the required payment records. The fee would be payable at the time of, and in addition to, the first payment to DWD or its designee in each year for which payments are ordered. All fees collected under this provision would be deposited in DWD's appropriation for fees related to state child support operations. The court or family court commissioner would have to notify each party of the requirement to pay the fee and of the amount of the fee. If the fee is not paid when due, the Department or its designee could not deduct the fee from the maintenance or child or family support payment, but could move the court for a remedial sanction or apply to the court or family court commissioner for an assignment of income.

## Statewide Starting Date

If DWD determines that the statewide receipt and disbursement system will be operational before October 1, 1999, the Department would have to publish a notice in the Wisconsin Administrative Register that states the date on which the system will begin operating. Before that date or October 1, 1999, whichever is earlier, the circuit courts, county child support agencies, clerks of court and employers would be required to cooperate with the Department in any measures taken to ensure an efficient and orderly transition from the county system of receipt and disbursement to the statewide system.

## Support Collections Trust Fund; Appropriation Changes

The bill would create a segregated support collections trust fund, to consist of all moneys received by DWD or its designee under a judgement or order in an action affecting the family, including income withholding payments and other support and maintenance payments that are currently directed to the clerk of courts or support collection designee.

The bill would create two SEG appropriations from the support collections trust fund:

a. A continuing appropriation for the receipt and disbursement of support payments, to which all monies received by the fund (except for interest earnings) would be credited. These funds would be disbursed to the persons for whom the payments are awarded. If the support has been assigned to the state because the parent is a recipient of public assistance, the amounts collected would be transferred to the PR appropriation described below. Estimated disbursements under this appropriation would not be included in the Chapter 20 appropriations schedule of the statutes.

b. A sum sufficient appropriation equal to the fund's interest earnings, which would be used for costs associated with receiving and disbursing maintenance and child and family support payments, including any contract costs, and for costs associated with any other support enforcement function.

The bill would create a program revenue-service (PR-S) appropriation for child support transfers, which would be funded with all moneys transferred from the SEG appropriation for child support receipt and disbursement. The amounts transferred would be child support collections that have been assigned to the state by recipients of AFDC, foster care aid or kinship care assistance or by participants in W-2 employment positions. These funds would be distributed for the support of dependent children in accordance with applicable federal and state statutes, federal regulations and state rules. The bill would repeal the Department's current PR appropriation for child support collected on behalf of families receiving public assistance. Immediately before the date of notice published by DWD for start-up of the centralized receipt and disbursement system or October 1, 1999, whichever is earlier, the unencumbered balance in

the current appropriation would be transferred to the new PR appropriation for child support transfers.

The bill would modify the Department's GPR general program operations appropriation to cover costs associated with receiving and disbursing support and support-related payments, including any contract costs. In addition, DWD's program revenue appropriation for child support state operations would be modified to: (a) deposit funds from the \$25 annual fee to be charged by the Department; and (b) specify that funding from this appropriation could be used for costs associated with receiving and disbursing support and support-related payments, including any contract costs.

The current PR appropriation for collections of delinquent support through state intercept programs would be moved from miscellaneous appropriations to DWD. In addition, the bill would specify that the appropriation would receive all monies from DOR and DOA for child support, maintenance, medical expenses or birth expenses under the state intercept provisions, to be distributed in accordance with state law and federal regulations. Previously these funds were distributed to clerks of court for allocation to the payee.

### **Statutory Clarifications**

Under current law, child support enforcement activities (other than receipt and disbursement) are performed at the local level by county child support agencies, under contract with DWD. The statutes refer to these agencies in a number of different ways, such as "county designee" or "child support program designee." The bill would change these terms to "county child support agency" to make references to these agencies consistent throughout the statutes. The bill would also specify that a county board could not designate the county clerk of court as the county child support agency.

The bill would also correct a cross reference relating to orders for medical coverage of a child.

### **Effective Dates**

In general these provisions would take effect on the earlier of: (a) October 1, 1999; or (b) the day DWD publishes notice in the Administrative Register, if the Department determines that the statewide automated support and maintenance receipt and disbursement system will be operational before October 1, 1999. However, the provisions which would clarify references regarding county child support agencies would take effect on the day after publication of the bill.

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **KIDS Computer System (Workforce Development -- Child Support)**

[LFB Summary: Page 706, #1]

## CURRENT LAW

Under federal law, every state must have a certified statewide automated child support system in place by October 1, 1997. This date is an extension from previous federal law, which required the automated systems to be in place by October 1, 1995. The Kids Information Data System (KIDS) was developed to replace the previous automated child support system, which did not meet the federal requirements. Since January, 1993, the state has contracted with Integrated Systems Solutions Corporation (ISSC) to develop the KIDS system in Wisconsin.

State operation of the KIDS system is generally funded at a 66/34 federal/state match. Federal funding for the development and conversion of automated child support systems is available at an enhanced 90/10 federal/state match until October 1, 1997, for expenses included in advance planning documents submitted before September 30, 1995.

The recent federal welfare reform legislation (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) imposes a number of new requirements on states relating to child support enforcement, some of which will necessitate changes to the KIDS system. Federal funding for system modifications required by the new law will be provided at an enhanced 80% rate until September 30, 2001. However, the enhanced funding is capped at \$400 million over this period. Allocations to states will be distributed based on a formula set in federal regulations which takes into account the relative size of state child support caseloads and the level of automation needed to meet the federal requirements.

The federal Department of Health and Human Services (HHS) is required to promulgate final regulations for implementation of the new requirements for automated systems by August 22, 1998. System modifications required by the new federal provisions must be in place by October 1, 2000. However, the October 1, 2000, deadline will be extended by one day for each day that HHS fails to meet the deadline for final regulations.

Operation of the KIDS system is conducted by ISSC and state staff in the Bureau of Information Technology Services (BITS) within the Department of Workforce Development. The base funding level for the KIDS system is \$5,438,800 GPR and \$8,309,100 FED.

## GOVERNOR

Provide \$5,827,800 GPR and \$12,384,300 FED in 1997-98 and \$5,571,400 GPR and \$10,886,200 FED in 1998-99 for the KIDS system. With the base funding noted above, total funding would be increased to \$31,960,000 (\$11,266,600 GPR and \$20,693,400 FED) in 1997-98 and \$30,205,500 (\$11,010,200 GPR and \$19,195,300 FED) in 1998-99. These funds would be used for ongoing operation of the system and enhancements to the system required by the 1996 federal legislation.

## DISCUSSION POINTS

### A. Federal Requirements

Federal law requires state child support agencies to have in operation a single, statewide automated data processing and information retrieval system which has the capability to perform the tasks specified below.

**Program Management.** The system must perform functions specified by HHS relating to management of the state child support program, including: (a) controlling and accounting for use of federal, state and local funds in carrying out the program; and (b) maintaining the data necessary to meet federal reporting requirements on a timely basis.

**Calculation of Performance Indicators.** In order to enable HHS to determine federal child support incentive payments and penalty adjustments, the state agency must use the automated system to: (a) maintain the requisite data on state performance with respect to paternity establishment and child support enforcement in the state; and (b) calculate the paternity establishment percentage of the state for each fiscal year. States also must have in place systems controls to ensure the completeness and reliability of, and ready access to, the data described in (a) and the accuracy of the calculations described in (b).

**Information Integrity and Security.** State agencies must have in effect safeguards on the integrity, accuracy, and completeness of, access to, and use of data in the automated systems. Such

safeguards must include the following (in addition to such other safeguards as HHS may specify in regulations): (a) written policies concerning access to data by state agency personnel, and sharing of data with other persons; (b) systems controls (such as passwords or block of fields) to ensure strict adherence to the written policies; (c) routine monitoring of access to and use of the automated system, through methods such as audit trails and feedback mechanisms, to guard against and promptly identify unauthorized access or use; (d) procedures to ensure that all personnel (including state and local agency staff and contractors) who may have access to or be required to use confidential program data are informed of applicable requirements and penalties, and are adequately trained in security procedures; and (e) administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.

**Other Federal Provisions.** Many of the child support requirements adopted in the 1996 federal legislation will require usage of, and modifications to, statewide data systems. The budget bill includes a number of modifications to state law that are intended to conform with the new federal requirements. The major federal provisions that will impact the KIDS system include centralized receipt and disbursement of child support payments, the state directory of new hires, financial institution data matches and changes regarding the distribution of child support assigned to the state by public assistance recipients. Other federal provisions that will affect the KIDS system include requirements regarding the collection and use of social security numbers, denial and suspension of drivers' licenses and professional, occupational and recreational licenses and procedures regarding paternity establishment. More information on these federal requirements and the related state provisions can be found in the Legislative Fiscal Bureau summary of the Governor's budget recommendations. Most of the enforcement provisions required by federal law have been removed from the bill as nonfiscal policy items and are being drafted as separate bills.

## **B. Current Status of the Kids System**

Since January, 1993, the state has contracted with Integrated Systems Solutions Corporation to develop the KIDS system in Wisconsin. At the time the 1995-97 biennial budget was being debated, the Department expected to begin implementation of KIDS on the weekend of August 5, 1995, when 37 counties were to be brought on-line. The remaining counties were to be added in September, with Milwaukee County added on the weekend of September 30, 1995, to complete the implementation phase.

By October, 1995, the implementation schedule had been moved back by three months. It was anticipated that all counties would be connected by the end of December, 1995. The schedule was delayed in order to give counties a three-month pilot period. Also, ISSC was behind schedule in system development.

In June, 1996, the Department indicated that 42 counties had been connected to the system and that statewide implementation would be further delayed until September, 1996. The remaining 30 counties were to be added between July and September. Milwaukee County was to be one of the last counties connected to the system. According to the Department, the further delay resulted from the need for additional support and training at the county level and technical changes to the system

to address county concerns regarding its operation. Statewide implementation of the system was accomplished on September 4, 1996.

ISSC completed initial development of the system in December, 1995, and performed system enhancements under a warranty contract which was to expire at the end of 1996. However, the Department has extended its contract with ISSC until end of 1997. ISSC staff will continue to modify the system to respond to county concerns, do other state-specific work (items not required by federal law) and implement the change orders required by the new federal provisions. ISSC will also be retained during this period for ongoing maintenance of the system along with state personnel. ISSC's warranty has been extended until the end of calendar year 1997. The Department expects to achieve federal certification of the pre-1996 federal requirements sometime in 1997; an on-site review for federal certification occurred in April, 1997. Currently, 12 states have received federal certification, and certification is pending in two states.

During deliberations on the 1995-97 biennial budget, it was uncertain whether ongoing operation of the KIDS system would be conducted by a private vendor, state staff or a combination of private and state resources. The Department now anticipates that the current contract with ISSC will be extended beyond the December, 1997, ending date, and that ongoing maintenance of the system will continue to be performed by ISSC along with state employees and other contract staff through the 1997-99 biennium.

### **C. Legislative Audit of the KIDS System**

Since the KIDS system was implemented statewide last September, a number of concerns have been expressed by parents, clerks of court and county child support agencies regarding problems encountered in operation of the system. These include delays in the distribution of tax intercept funds owed to families, the need for manual processing and intervention to achieve daily reconciliation and balancing, the issuance of delinquency notices to individuals who are not delinquent and the issuance of payment coupons to individuals who pay support through income withholding and to persons who no longer have child support responsibilities. Questions have also been raised regarding the overall cost of the system and the potential loss of federal child support incentives at the county level, because the system may reduce the cost-effectiveness of local enforcement activities.

In response to these concerns, the Joint Legislative Audit Committee approved an audit of the system by the Legislative Audit Bureau on March 6, 1997. The Audit Bureau indicates that it will conduct a wide-ranging review of the KIDS system, including its development and implementation, its effect on child support collection efforts, state oversight of the contract with ISSC and strategies that DWD could use as it begins to modify the system to bring it into compliance with the new federal requirements. The portion of the audit regarding development and implementation will specifically cover the history of system development, including information about the previous system; the process used in implementing KIDS, including efforts to assist county staff; the types of problems that have occurred since start-up, and the reasons for these problems; the process through which problems are identified, catalogued and prioritized; and DWD's progress in addressing

problems for which it is responsible, including the extent to which inadequacies of the system remain to be addressed.

The audit was started during the week of March 17, and is expected to require at least six months for completion. Therefore, the final report will probably not be available until next fall.

#### D. Governor's Budget Bill

The following table outlines the Governor's recommendation.

#### Recommended KIDS Funding for the 1997-99 Biennium

	1997-98			1998-99		
	GPR	FED	TOTAL	GPR	FED	TOTAL
<b>Contractor Fees</b>						
Ongoing System Maintenance	\$2,008,300	\$3,898,400	\$5,906,700	\$2,008,300	\$3,898,400	\$5,906,700
Change Orders Required by Federal Law	760,000	3,040,000	3,800,000	646,400	2,033,000	2,679,500
Other System Modifications	87,700	170,300	258,000	87,700	170,300	258,000
<b>BITS Costs</b>						
State Staff	710,600	1,580,600	2,291,200	811,300	1,574,700	2,386,000
Capital/Installation/Infrastructure	251,900	489,000	740,900	0	0	0
800 Number/Help Desk/ Voice Response	205,000	397,900	602,900	205,000	398,000	603,000
Local Area Network Service	241,200	468,200	709,400	248,400	482,300	730,700
Maintenance	14,700	28,600	43,300	15,200	29,400	44,600
DWD System Fee	38,500	74,700	113,200	39,600	77,000	116,600
<b>InfoTech Charges</b>						
Mainframe	4,479,700	6,172,300	10,652,000	4,479,700	6,172,300	10,652,000
E-Mail	34,000	66,000	100,000	23,500	45,600	69,100
Telecommunications	572,000	691,100	1,263,100	548,400	632,500	1,180,900
<b>Supplies and Services</b>						
Centralized Mailing	1,124,100	2,182,100	3,306,200	1,157,800	2,247,600	3,405,400
Credit Bureau Reports	17,000	33,000	50,000	17,000	33,000	50,000
General Supplies and Services	721,900	1,401,200	2,123,100	721,900	1,401,200	2,123,100
<b>Total KIDS Budget</b>	<b>\$11,266,600</b>	<b>\$20,693,400</b>	<b>\$31,960,000</b>	<b>\$11,010,200</b>	<b>\$19,195,300</b>	<b>\$30,205,500</b>
<b>Base Funding Level</b>	<b>5,438,800</b>	<b>8,309,100</b>	<b>13,747,900</b>	<b>5,438,800</b>	<b>8,309,100</b>	<b>13,747,900</b>
<b>Increased Funding Recommended</b>	<b>\$5,827,800</b>	<b>\$12,384,300</b>	<b>\$18,212,100</b>	<b>\$5,571,400</b>	<b>\$10,886,200</b>	<b>\$16,457,600</b>

As noted, base level funding for KIDS is \$13.7 million (\$5.4 million GPR and \$8.3 million FED). The bill would increase funding to \$32.0 million (\$11.3 million GPR and \$20.7 million FED) in 1997-98 and \$30.2 million (\$11.0 million GPR and \$19.2 million FED) in 1998-99. These amounts are higher than the base funding level by \$18.2 million all funds in the first year and \$16.5 million all funds in the second year.

However, the base funding level significantly understates the amount currently budgeted for the system in 1996-97, which is \$34.5 million (\$11.8 million GPR and \$22.7 million FED). This occurs because the base funding does not include \$20.8 million (\$6.4 million GPR and \$14.4 million FED) which was authorized at the Committee's December, 1996, s. 13.10 meeting to cover costs of the system during the last six months of the 1996-97 fiscal year. Compared to this higher budgeted amount, the Governor's recommendation would decrease funding by \$2.5 million (\$0.5 million GPR and \$2.0 million FED) in 1997-98 and \$4.3 million (\$0.8 million GPR and \$3.5 million FED) in 1998-99. The following sections describe each of the components of the KIDS budget recommendation outlined in the table.

### **Contractor Fees**

The Governor's recommendation includes \$9,964,700 in 1997-98 and \$8,844,200 for contractor fees. This funding would be paid to ISSC for maintenance of the system, change orders requested by counties and associated with the transition to the Wisconsin Works (W-2) program and change orders necessitated by the new federal provisions.

**Transitional Systems Maintenance.** Funding for transitional systems maintenance is \$5,906,700 (\$2,008,300 GPR and \$3,898,400 FED) in each year, which is the same amount approved for 1996-97 at the Committee's December s. 13.10 meeting. This funding would be paid to ISSC for ongoing maintenance of the system, along with BITS staff and other contract staff, and is based on the current contract with ISSC for calendar year 1997. As noted, the Department expects to extend its contract with ISSC to provide these services through the 1997-99 biennium.

**Welfare Reform Change Orders.** In its December, 1996, request, the Department estimated that the new federal provisions will require change orders to the KIDS system costing approximately \$11,500,000 all funds over the next three years. Three areas of federal law account for about \$8,700,000 of this total: the requirement for a state directory of new hires, modifications regarding the distribution of child support (including required centralized receipt and disbursement) and the requirement for states to enter into agreements with financial institutions to develop an automated data match system to be used in securing the assets of delinquent child support obligors. The remaining \$2,800,000 in change orders relate to a number of other new federal provisions, including requirements regarding the collection and use of social security numbers, denial and suspension of drivers' licenses and professional licenses and procedures regarding paternity establishment.

Many of the federal requirements have short time frames. For example, the state directory of new hires must be established and operational by April 1, 1998. By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state child support case registry and report specified information to the state child support agency. A centralized receipt and disbursement

system must be in effect by October 1, 1999. Federal law requires most of the other new provisions to be in effect by April 1, 1998.

The Department's December request provided \$5,000,000 to begin implementing these change orders in 1996-97. A portion of this funding (\$2,500,000) was placed into unallotted reserve because it was not certain how much the change orders required by federal law would cost and how much of this work could be completed during the last six months of 1996-97.

The budget recommendation includes \$3,800,000 (\$760,000 GPR and \$3,040,000 FED) in 1997-98 and \$2,679,500 (\$646,400 GPR and \$2,033,000 FED) in 1998-99 to cover the remainder of the \$11,500,000 total cost of the change orders. The total cost of the modifications and the anticipated completion dates are still uncertain. DWD indicates that it is in the process of preparing a more precise work schedule and cost estimates for the welfare reform change orders. It should also be noted that the federal funding for these expenses is budgeted at the enhanced 80% rate allowed under the welfare reform legislation. However, because the enhanced federal funding for all states is capped at \$400 million, the Department may have to fund a portion of the change orders using 66% federal funds, which could increase the amount of GPR that will be needed. The potential increase could be in the range of \$500,000; however, at this time it does not appear that an adjustment should be made to account for this factor.

**Other System Modifications.** The budget includes \$258,000 (\$87,700 GPR and \$170,300 FED) in each year for modifications to the CARES computer system for economic support programs. These changes are intended to ensure that the CARES system is compatible with the KIDS system. The funding amount reflects the cost of two programmers from the CARES contractor (Deloitte and Touche) for 2,016 hours per year at \$64 per hour.

### **BITS Costs**

**State Staff.** The bill includes \$1,803,000 (\$613,000 GPR and \$1,190,000 FED) in 1997-98 and \$1,883,100 (\$640,300 GPR and \$1,242,800 FED) in 1998-99 for existing state positions and contract staff that work with ISSC on maintenance of the system and certain modifications. The first year amount is based on 18.5 positions working 1,705 hours per year at a cost of approximately \$57 per hour. The second year amount assumes an increase of 3% to account for inflation. These positions are generally state BITS employees; however, contract staff may also be used. The Department indicates that the second year amount is overstated by \$28,700 (\$9,800 GPR and \$18,900 FED); therefore, the Committee could delete these funds.

The proposed budget also includes \$488,200 (\$97,600 GPR and \$390,600 FED) in 1997-98 and \$502,900 (\$171,000 GPR and \$331,900 FED) in 1998-99 for five additional contract staff to work with ISSC on the welfare reform change orders. The funding amounts are based on the same assumptions outlined above for the current 18.5 positions. It should be noted that the first year amount recommended by the Governor assumes that 80% federal funding will be available

for these positions while the second year amount reflects the general 66% matching rate. Because enhanced 80% federal funding will be provided in both years, GPR funding can be reduced by \$70,400 in 1998-99.

**Other BITS Costs.** The Governor's recommendation includes funding of \$740,900 (\$251,900 GPR and \$489,000 FED) in 1997-98 for upgrades to the data processing hardware and infrastructure that is used for the KIDS system. No funding would be provided in the second year. The Department indicates that these funds are for ongoing replacements of computer equipment, and that it would prefer to have this funding split between the two fiscal years. Therefore, this item could be modified to provide \$370,400 in 1997-98 and 1998-99.

The bill includes \$602,900 (\$205,000 GPR and \$397,900 FED) in each year for the KIDS help desk, 800 number and automated voice response unit. These figures are based on usage of these services during the first three months of 1996-97, with a 10% increase in each year. In addition, the bill provides \$709,400 (\$241,200 GPR and \$468,200 FED) in 1997-98 and \$730,700 (\$248,400 GPR and \$482,300 FED) for the KIDS share of costs of the local area network operated by DWD's Division of Administrative Services. Computer equipment maintenance costs are estimated at \$43,300 in the first year and \$44,600 in the second year, based on current maintenance expenses. Finally, funding of \$113,200 (38,500 GPR and \$74,700 FED) in 1997-98 and \$116,600 (39,600 GPR and \$77,000 FED) in 1998-99 would be provided for the KIDS share of the costs of DWD's mainframe computer.

#### **InfoTech Charges**

The InfoTech budget includes the fee paid to DOA for mainframe services, electronic mail and connection to the consolidated data network (CDN). The annual mainframe fee is estimated at \$10,652,000 (\$4,479,700 GPR and \$6,172,300 FED), which is a 20% increase over the \$8,736,300 amount budgeted for 1996-97. Mainframe charges are based on usage of the system. The Department indicates that mainframe usage in the current year has significantly exceeded the amount currently budgeted. Therefore, supplemental funding may be requested at the Committee's next quarterly s. 13.10 meeting. The budget amounts for the 1997-99 biennium may also be too low; however, DWD indicates that it is not necessary to adjust these funding amounts at this time. If usage continues to exceed the estimates, the Department could request supplemental funding under section 13.10 or reallocate other revenues for mainframe fees.

It is uncertain why usage of mainframe services has exceeded the estimated level. One explanation may be that the difficulties experienced by county staff in using the system have contributed to the higher rates. If this is the case, mainframe costs may decline as local staff become more familiar with the system and improvements are made to the system. The Audit Bureau report may provide additional information regarding this issue.

The budget for E-mail services provided by InfoTech is \$100,000 (\$34,000 GPR and \$66,000 FED) in 1997-98 and \$69,100 (\$23,500 GPR and \$45,600 FED) in 1998-99. The lower funding amount in the second year reflects that the Department intends to eliminate E-mail for communications with counties and, instead, use an Internet-based system.

The bill also includes \$1,263,100 (\$572,000 GPR and \$691,100 FED) in 1997-98 and \$1,180,900 (\$548,400 GPR and \$632,500 FED) in 1998-99 for telecommunications. These funds are primarily for connection to the CDN. In addition, \$291,100 (\$99,000 GPR and \$192,100 FED) would be provided in each year for an equipment charge by DOA. This charge is being paid off over three years, from 1996-97 to 1998-99. In the future, these charges will be included in the fee for mainframe services.

### **Supplies and Services**

Supplies and services funding includes expenses for centralized mailing of child support bills and statements. The amounts in the bill assume that 9.2 million pieces of mail will be processed in each year at a cost of 35 cents each, with an annual 3% adjustment for inflation. The bill also includes \$50,000 in each year for credit bureau reports regarding individuals who are delinquent in paying child support. Finally, base funding of \$2,123,100 (\$721,900 GPR and \$1,401,200 FED) would continue to be provided for general supplies and services associated with the system.

### **E. Summary**

The KIDS system has been operating on a statewide basis since September, 1996. Although many of the costs associated with the system are more predictable than they were in previous years, there is still uncertainty regarding several items in the proposed budget, primarily expenses relating to welfare reform change orders and usage of the InfoTech mainframe computer. In addition, the Legislative Audit Bureau is conducting a comprehensive evaluation of the KIDS system, including a review of problems that have been experienced with the system since its implementation. As noted, the Audit Bureau's report will probably not be available until next fall. Because of these factors, the Committee may wish to provide sufficient GPR funding to DWD to cover the cost of operating the system during the first six months of the 1997-98 fiscal year. The remaining state funds for 1997-98 and all of the state funds for 1998-99 could be placed into the Committee's appropriation for release, under s. 13.10, at a later date after the audit has been completed and additional information is available regarding mainframe charges and the Department's progress in implementing the welfare reform change orders.

Prior to placing funds into the Committee's appropriation, the amounts recommended by the Governor could be modified to:

- a. Decrease funding by \$28,700 (\$9,800 GPR and \$18,900 FED) in 1998-99 to eliminate excess funds for current BITS staff;
- b. Replace \$70,400 of GPR funding with \$70,400 FED in 1998-99 to reflect the continued availability of enhanced federal funds for staff involved in welfare reform change orders; and
- c. Provide \$370,400 (\$125,900 GPR and \$244,500 FED) in each year for maintenance and upgrades to the data processing hardware. Under the Governor's recommendation, all of this funding would be provided in the first year.

**ALTERNATIVES TO BASE**

1. Approve the Governor's recommendation to provide \$5,827,800 GPR and \$12,384,300 FED in 1997-98 and \$5,571,400 GPR and \$10,886,200 FED in 1998-99 for the KIDS computer system. Under this alternative, total funding for the system would be \$31,960,000 (\$11,266,600 GPR and \$20,693,400 FED) in 1997-98 and \$30,205,500 (\$11,010,200 GPR and \$19,195,300 FED) in 1998-99.

<u>Alternative 1</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$11,399,200	\$23,270,500	\$34,669,700
[Change to Bill]	\$0	\$0	\$0]

2. Adopt the Governor's recommended funding amounts with a modification to place \$5,633,300 GPR in 1997-98 and \$11,010,200 GPR in 1998-99 in the Committee's appropriation. These funds, which represent half of the amount recommended for 1997-98 and all of the amount recommended for 1998-99, could be released, under s. 13.10, after the Legislative Audit Bureau's review of the system is completed and additional information is available regarding mainframe charges and DWD's progress in completing welfare reform change orders.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$11,399,200	\$23,270,500	\$34,669,700
[Change to Bill]	\$0	\$0	\$0]

3. Modify the funding amounts recommended by the Governor as follows:

- a. Decrease funding by \$28,700 (\$9,800 GPR and \$18,900 FED) in 1998-99 to eliminate excess funds for current BITS staff;

b. Replace \$70,400 of GPR funding with \$70,400 FED in 1998-99 to reflect the continued availability of enhanced federal funds for staff involved in welfare reform change orders; and

c. Instead of providing \$740,900 (\$251,900 GPR and \$489,000 FED) in 1997-98, provide \$370,400 (\$125,900 GPR and \$244,500 FED) in each year for data processing hardware.

In addition, place \$5,570,300 GPR in 1997-98 and \$11,055,900 GPR in 1998-99 in the Committee's appropriation. These funds, which represent half of the revised funding amount for 1997-98 and all of the revised amount for 1998-99, could be released, under s. 13.10, after the Legislative Audit Bureau's review of the system is completed and additional information is available regarding mainframe charges and DWD's progress in completing welfare reform change orders.

<u>Alternative 3</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$11,318,900	\$23,322,000	\$34,640,900
[Change to Bill]	-\$80,300	\$51,500	-\$28,800]

Prepared by: Rob Reinhardt

MO# Alt 3abc

2 JENSEN      X    N    A  
 LEHMAN, M.    X    N    A  
 HARSDORF     X    N    A  
 ALBERS        X    N    A  
 GARD          X    N    A  
 KAUFERT      X    N    A  
 LINTON        X    N    A  
 COGGS         X    N    A

BURKE         X    N    A  
 DECKER        X    N    A  
 GEORGE        X    N    A  
 JAUCH         X    N    A  
 WINEKE        X    N    A  
 SHIBILSKI     X    N    A  
 COWLES        X    N    A  
 PANZER        X    N    A

AYE 16 NO 0 ABS \_\_\_\_\_

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE****State Directory of New Hires (Workforce Development -- Child Support)**

[LFB Summary: Page 714, #3]

**CURRENT LAW**

The 1996 federal welfare reform legislation requires each state to establish a directory of new hires by October 1, 1997. Federal law also specifies the types of information that must be reported and procedures that must be used by states, including provisions regarding the disclosure of such information. Information from the state directories will be provided to the federal Department of Health and Human Services (HHS) for entry into a national directory of new hires. In addition, by May 1, 1998, states must conduct automated matches of the social security numbers of employees in the new hire directory against the social security numbers of individuals included in child support case directories. The Appendix provides additional information regarding the federal requirements.

**GOVERNOR**

Require the Department of Workforce Development (DWD) to establish and operate a hiring reporting system that includes a state directory of new hires. All requirements under the reporting system would have to be consistent with appropriate federal laws and regulations. In general, each employer that employs individuals in the state would have to provide information to the Department about each newly-hired employee. However, multi-state employers could designate another state for the purpose of providing the required information. Designations by multi-state employers would be made to HHS; in addition, the employer would have to notify DWD of the designation.

DWD would be required to specify: (a) the information that employers must provide; (b) a number of different ways in which employers may report the information, including paper and electronic means; and (c) a timetable for the actions and procedures required under the reporting system. These provisions would take effect on October 1, 1997.

## **DISCUSSION POINTS**

### **Effective Date**

1. As noted, federal law requires states to have the new hire directories in effect by October 1, 1997. However, on March 12, 1997, DWD received a memorandum from the federal government which indicated that the deadline could be extended in Wisconsin until April 1, 1998. The Department would like to extend the new hire reporting requirement to January 1, 1998. This would provide additional time to establish and test the system and allow employers to begin reporting on a calendar year basis. In addition, with a January 1 start-up, DWD may be able to realize savings by sharing the costs of a December mailing to employers planned by the Department of Revenue. However, there may be some decrease in child support collections if start-up of the system is delayed.

2. Another option would be to make the new hire reporting requirements effective on the earlier of April 1, 1998, or January 1, 1998, if DWD determines that the system will be operational by that date. This would provide additional flexibility to the Department if problems are encountered in establishing the new hire reporting system.

### **Civil Penalties for Noncompliance by Employers**

1. Under the new federal law, states have the option of setting a civil penalty for failure to comply with the new hire reporting provisions. In general, the penalty may not exceed \$25. However, the penalty may be up to \$500 if, under state law, the failure is the result of a conspiracy between the employer and employee to not supply the required report or to supply a false or incomplete report. Guidelines issued by HHS indicate that the apparent intent of federal law is that the penalty would be imposed for each new employee that an employer fails to report. HHS is recommending a technical amendment the federal legislation to clarify this provision.

2. The bill does not include a specific civil penalty provision for noncompliance with the new hire reporting requirements. The administration indicates that a penalty was not included because it was believed that a penalty would create an additional potential burden on employers in complying with the reporting requirements. In addition, state law [s. 939.61(1)] provides a forfeiture of up to \$200 if a person is convicted of an act or omission prohibited by statute and for which no penalty is expressed. The administration believes that this general penalty would provide an adequate enforcement mechanism for the new hire reporting requirements. However, the \$200 penalty provided under state law differs from the penalty amounts under federal law.

3. Current state law provides specific penalties for employers who fail to comply with child support income withholding requirements. If an employer fails to withhold or remit the required amounts, the employer may be proceeded against for contempt of court or required to forfeit not less than \$50 nor more than an amount equal to 1% of the amount not withheld or remitted. An employer who receives an assignment of withholding on behalf of an employee must notify the clerk of court or support collection designee within ten days after an employee is terminated or otherwise leaves employment. An employer who fails to provide such notice may be proceeded against for contempt of court.

4. The Committee may wish to create a specific penalty provision which conforms to federal law. Under this option, a civil penalty not to exceed \$25 would be imposed if a person fails to comply with the new hire reporting provisions, unless the failure is the result of a conspiracy between the employer and employee to not supply the required report or to supply a false or incomplete report. In cases of conspiracy, a penalty of up to \$500 would be imposed. The penalty would apply for each new employee that an employer fails to report.

5. It can be argued that the \$25 penalty allowed under federal law would not be significant enough to justify the costs of administering the forfeiture. Therefore, the Committee may wish to impose only the higher penalty allowed under federal law for failures to report that are the result of a conspiracy between the employer and employee.

## **ALTERNATIVES TO BILL**

### **Effective Date**

1. Adopt the Governor's recommendation.
2. Adopt the Governor's recommendation but modify the effective date to be January 1, 1998.
3. Adopt the Governor's recommendation but modify the effective date to be the earlier of: (a) April 1, 1998; or (b) January 1, 1998, if DWD determines that the system will be operational by that date.

### **Civil Penalty for Noncompliance by Employers**

1. Adopt the Governor's recommendation, which does not include a civil penalty for failure to comply with the new hire reporting requirements.
2. Adopt the Governor's recommendation with a modification to impose a civil penalty not to exceed \$25 if an employer fails to comply with the new hire reporting provisions,

unless the failure is found to be the result of a conspiracy between the employer and employee to not supply the required report or to supply a false or incomplete report. In cases of conspiracy, impose a civil penalty of up to \$500. Specify that the penalty would apply for each new employee that an employer fails to report.

3. Adopt the Governor's recommendation with a modification to impose a civil penalty not to exceed \$500 if an employer fails to comply with the new hire reporting provisions as a result of a conspiracy between the employer and employee to not supply the required report or to supply a false or incomplete report. Specify that the penalty would apply for each new employee that an employer fails to report.

Prepared by: Rob Reinhardt

MO# Effective DATE  
#3

ZJENSEN	<input checked="" type="checkbox"/>	N	A
LEHMAN, M.	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

/BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 15 NO 1 ABS \_\_\_\_\_

MO# Civil Penalties #2

JENSEN	<input checked="" type="checkbox"/>	N	A
LEHMAN, M.	<input checked="" type="checkbox"/>	N	A
ZHARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
/ DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 15 NO 1 ABS \_\_\_\_\_