

- VI. Department of Health and Social Services -- Dick Lorang, Deputy Secretary  
Department of Industry, Labor and Human Relations -- Jean Rogers, Administrator,  
Division of Economic Support

The two departments request approval of their plan to allocate a reduction in base expenditures of \$1,406,200 GPR in 1996-97 as required in 1995 Wisconsin Act 27. Of the base expenditure amount, \$322,200 is allocated by the Department of Industry Labor and Human Relations.

The Department of Health and Social Services also submits its plan to meet the long term vacancy requirement in Act 27 to eliminate 21.93 FTE all funds positions and \$793,300 all funds by the end of the biennium.

Governor's Recommendation

Approve the DHSS FY97 allocation of unspecified budget reductions. Approve the substitutions proposed for the long-term vacancy reductions.



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 27, 1996

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Industry, Labor and Human Relations--Section 13.10 Request Relating to KIDS  
Computer System for Child Support Enforcement--Agenda Item VII

### BACKGROUND

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) will replace the current automated child support system, which does not meet the federal requirements. Since January, 1993, the Department of Health and Social Services (H&SS) has contracted with Integrated Systems Solutions Corporation (ISSC) to develop the KIDS system in Wisconsin. Under 1995 Wisconsin Act 404, responsibility for child support enforcement programs, including the KIDS system, will be transferred from H&SS to the Department of Industry, Labor and Human Relations (DILHR), on July 1, 1996.

State operation of the 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 for expenses incurred prior to October 1, 1995. Although the federal deadline for implementing the system was extended to October 1, 1997, the enhanced federal funding has not been extended. However, the federal welfare reform legislation that was vetoed by President Clinton would have provided 90% funding through September 1, 1997, for development costs that were part of the state's advance planning document as of May 1, 1995. At this time, it is uncertain whether 90% federal funding will be provided for development and conversion costs incurred after October 1, 1995.

Under 1995 Wisconsin Act 27 (the 1995-97 budget), the KIDS budget is \$31,275,700 (\$9,313,000 GPR and \$21,962,700 FED) in 1995-96 and \$22,551,900 (\$8,657,700 GPR and

\$13,894,200 FED) in 1996-97. However, \$5,759,200 GPR in 1995-96 and \$7,522,100 GPR in 1996-97 of this funding was placed in the Committee's program supplements appropriation for certain expenses related to the KIDS system.

The GPR funding was placed into the Committee's appropriation because it was uncertain whether all or a portion of the ongoing maintenance of the KIDS system would be performed by a private vendor, state staff or some combination of private and state resources. Also, because bids had not been submitted and the system had not been implemented in counties, it was difficult to accurately estimate the costs of operating the system. The Department was directed to submit its request for KIDS funding to the Committee under section 13.10 of the statutes after bids from private vendors for maintenance of the system were received and reviewed.

At its October 4, 1995, section 13.10 meeting, the Committee approved the transfer of \$2,316,400 GPR in 1995-96 from the Committee's appropriation to H&SS's general program operations appropriation for operation of KIDS. With this action, the Committee's appropriation now contains \$10,964,900 GPR of funding for the KIDS system (\$3,442,800 in 1995-96 and \$7,522,100 in 1996-97).

Because implementation of the KIDS system has been delayed, the Committee also directed the Department to prepare a report for the Committee which outlines: (a) the amount, if any, of enhanced federal funding that will be foregone because of the delayed start-up of the system; and (b) any options to replace the foregone federal revenues without utilizing state GPR or the state share of child support collections assigned to the state by AFDC recipients. The Department was directed to prepare the report as soon as information is available to determine how much, if any, federal funding may be foregone.

The current KIDS budget for the 1995-97 biennium is outlined in Table 1 and briefly described below.

TABLE 1

1995-97 KIDS Funding

	1995-96		1996-97	
	GPR	FED	GPR	FED
Transitional Systems Management	\$680,000	\$1,320,000	\$850,000	\$1,650,000
Centralized Mailings	1,186,800	2,303,800	1,186,800	2,303,800
BIS Costs	1,929,700	3,002,800	1,936,900	2,862,200
InfoTech Charges	3,462,700	5,099,500	3,548,400	5,262,200
Vendor Payments	918,200	8,263,500	0	0
Change Orders	340,000	660,000	340,000	660,000
General Supplies and Services	<u>795,600</u>	<u>1,313,100</u>	<u>795,600</u>	<u>1,156,000</u>
<b>TOTAL KIDS BUDGET</b>	<b>\$9,313,000</b>	<b>\$21,962,700</b>	<b>\$8,657,700</b>	<b>\$13,894,200</b>
Amount in JFC Appropriation	<u>3,442,800</u>		<u>7,522,100</u>	
Currently Available to H&SS/DILHR	\$5,870,200		\$1,135,600	

**Transitional Systems Management.** These funds will be paid to the vendor to operate the system during the transition period between the time when KIDS is completed and DILHR is ready to assume full responsibility for the system.

**Centralized Printing and Mailing.** The KIDS system will produce and distribute all of the forms required by federal law and other notices, billings and reports.

**Bureau of Information System Costs.** BIS funding is for development staff, space, equipment, training and other supplies and services; capital equipment for county agencies; and other costs including local area network services and maintenance of the system. These expenses were based on the Department's original budget request, which assumed that BIS staff would perform these functions. However, this funding could be used to provide these services through a contract with a private vendor, with state staff or some combination of state and private resources.

**InfoTech Charges.** InfoTech charges H&SS for operating the Department's computer systems, including mainframe services, connection to the statewide consolidated data network (CDN) and operating the electronic mail system.

**Vendor Payments.** The 1995-96 budget includes funds for the final vendor payments to ISSC. These amounts include payment for completion of the remaining portions of the system and payments which were withheld to ensure completion of the project.

**Change Orders.** These funds are for change orders to the system which may result from new laws, regulations and policies that were not identified as part of the initial design of the project.

**General Supplies and Services.** Funding is provided for general staff supplies, a quality control position working under contract in Milwaukee County, charges for data exchanges with other state agencies and regional training centers for county staff.

## **CURRENT STATUS OF KIDS**

At the time Act 27 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.

At the time of the Committee's October meeting, the Department indicated that 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.

The Department now indicates that statewide implementation has been further delayed until September, 1996. There are currently 42 counties connected to the system. The remaining 30 counties will be added between July and September. Milwaukee County will be one of the last counties connected to the system. According to the Department, the additional delay has 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.

The funding provided at the October meeting was intended to cover the costs of the system through March, 1996. However, with the further delay of system implementation, the Department now indicates that sufficient funds are available to cover the costs of the system through the end of 1995-96.

ISSC completed initial development of the system in December, but is currently performing system enhancements under a warranty contract, which will expire at the end of 1996. The Department intends to amend its contract with ISSC to retain the full development staff through June, 1997. ISSC staff would continue to modify the system to respond to county concerns and do other state-specific work (items not required by federal law). ISSC will also be retained during this period for ongoing maintenance of the system along with state personnel. The Department expects to achieve federal certification by late 1996 or early 1997. Currently, five states (Delaware, Georgia, Montana, Virginia and Washington) have received federal certification.

It is uncertain at this time whether ongoing maintenance of the system will be performed by state staff or a private vendor after the amended contract with ISSC expires in June, 1997. This issue will likely be decided over the next year as additional experience is gained with the system.

## **SUMMARY OF REQUEST**

DILHR has submitted a request to the Committee, under section 13.10, to transfer \$5,470,200 GPR in 1996-97 from the Committee's appropriation for operation of the KIDS system from July, 1996, through December, 1996. The Department's request is based on a revised projection of KIDS expenditures in 1996-97. The following sections address the revised KIDS budget and the Department's request to transfer funding from the Committee's appropriation.

### **Revised KIDS Budget for 1996-97**

The Department's revised budget for the KIDS system totals \$26,372,900 all funds in 1996-97, an increase of \$3,821,000 over the amount provided in Act 27. The revised budget reflects maintenance of the system by ISSC staff and state employees until the end of 1996-97, as described above. The Department's proposed budget for KIDS in 1996-97 is outlined in Table 2 and described below.

**TABLE 2**

**Proposed 1996-97 KIDS Budget  
(All Funds)**

	<u>Act 27</u>	<u>Current Request</u>	<u>Difference</u>
Transitional Systems Management	\$2,500,000	\$3,660,000	\$1,160,000
Centralized Mailings	3,319,100	3,238,900	-80,200
<b>BIS Costs</b>	<b>\$4,799,000</b>	<b>\$3,377,000</b>	<b>-\$1,422,000</b>
Staff	1,172,100	1,643,600	471,500
Subscription Fee	1,942,600	0	-1,942,600
LAN/Maintenance	479,300	860,100	380,800
Maintenance	514,100	182,400	-331,700
Capital/Installation	690,900	690,900	0
<b>InfoTech Charges</b>	<b>\$8,810,700</b>	<b>\$7,641,800</b>	<b>-\$1,168,900</b>
Mainframe	8,036,700	6,968,800	-1,067,900
E-Mail	221,000	120,000	-101,000
Telecommunications	553,000	553,000	0
Change Orders	1,000,000	3,000,000	2,000,000
General Supplies and Services	2,123,100	2,123,100	0
Additional On-site Support	0	2,849,900	2,849,900
County Support	<u>0</u>	<u>482,200</u>	<u>482,200</u>
<b>TOTAL KIDS BUDGET</b>	<b>\$22,551,900</b>	<b>\$26,372,900</b>	<b>\$3,821,000</b>

**Transitional Systems Management.** Funding of \$3,660,000 all funds is proposed for transitional systems management. These monies would be used to continue the contract with ISSC for assistance with ongoing maintenance of the system.

**Centralized Mailings.** Funding of \$3,238,900 all funds would be provided for centralized mailings. This amount is slightly lower than the Act 27 amount.

**BIS Costs.** BIS costs are estimated at \$3,377,000 all funds, a reduction of \$1,422,000 from the Act 27 budget. This portion of the request includes charges by BIS for staff, local area network services and equipment maintenance and purchases associated with the KIDS system. The decreased funding reflects the different rate structure used for data processing services at DILHR.

**InfoTech Charges.** The InfoTech request includes the fee paid to DOA for mainframe services, connection to the consolidated data network (CDN) and electronic mail services. The annual mainframe fee is estimated at \$6,968,800 all funds, which is \$1,067,900 lower than the amount included in Act 27. This decrease reflects the delay in statewide implementation until September 1996. The previous figures were based on 12 months of statewide usage of the system.

**Change Orders.** Change orders are estimated at \$3,000,000 all funds, an increase of \$2,000,000 over the Act 27 budget. According to the Department, this amount is consistent with the change orders that were identified in 1995-96. These funds would be paid to ISSC for system modifications to respond to county workload concerns and legislative changes and for other system modifications that may be necessary.

As noted, the Department intends to amend its contract with ISSC to retain the full development staff through June, 1997. The Department believes that this option could result in savings for transitional maintenance costs and change orders; however, the cost of an amended contract with ISSC is uncertain at this time. Also, some of the amounts expended for change orders in 1995-96 are also included in the request for on-site support. Because of these factors, it appears that total funding for change orders could be reduced to \$1,000,000 all funds, which is the amount that was approved in Act 27.

**Additional On-Site Support.** The request includes \$2,849,900 for additional on-site support, which was not provided in Act 27. The funding amounts are for assistance with data conversion, a help desk to handle questions from county staff, training, equipment installation and testing, technical support and a liaison between state KIDS staff and ISSC. Most of these services would be provided under contract with ISSC and several other contractors. The amount requested is based on the contracts for the period July through September, 1996, which total \$1,899,900. As noted, it is anticipated that all counties will be converted to the system by September. In addition, the request includes \$950,000 (one-half of the contract amount for July through September) to provide continued assistance to counties during the period from October through December, 1996.

The \$1,899,900 of funding for the July through September is based on existing service contracts for that period. However, it is not clear how the \$950,000 requested for the October through December period would be used. Therefore, the Committee may wish to delete this funding from the Department's request. The state share of this funding is \$375,800 GPR.

**County Support.** H&SS has contracted with counties for \$732,000 to offset local costs associated with implementing the new system. A total of \$249,800 was encumbered for this purpose in 1995-96. The request includes the remaining unencumbered funding of \$482,200.

## **Current 13.10 Request**

The Department's current section 13.10 request is based on the revised KIDS budget outlined in Table 2, but only includes funding for July through December, 1996. It is estimated that KIDS expenditures will total \$16,697,900 during that period, of which \$6,605,800 would be state GPR and \$10,092,100 would be federal matching funds. As noted in Table 1, the Department has expenditure authority of \$1,135,600 GPR in 1996-97. Therefore, the Department requests the transfer of \$5,470,200 from the Committee's appropriation to cover the remaining GPR expenditures.

The \$16,697,900 amount includes all of the funding shown in Table 2 for capital equipment, change orders, additional on-site support and county support. The Department anticipates that these expenditures will be made in the first six months of 1996-97. The remainder of the request includes one-half of the other expenditures identified in Table 2.

Approval of this request would leave \$5,494,700 GPR of KIDS funding in the Committee's appropriation. These funds would be available for release at a subsequent 13.10 meeting to cover the cost of the KIDS system in the last six months of 1996-97.

The reductions noted earlier for change orders and additional on-site support total \$2,950,000 (\$1,167,000 GPR and \$1,783,000 FED). With these modifications, the amount transferred from the Committee's appropriation would be decreased to \$4,303,200 GPR and the balance in the Committee's appropriation for KIDS would be \$6,661,700 GPR.

## **REPORT ON ENHANCED FEDERAL FUNDING**

As noted, at its October meeting, the Committee directed H&SS to prepare a report on the amount, if any, of enhanced federal funding that will be foregone because of the delayed start-up of the KIDS system and any options to replace the foregone federal revenues without utilizing state GPR or the state share of child support collections assigned to the state by AFDC recipients.

DILHR's request indicates that the status of the enhanced federal KIDS funding is uncertain at this time. As mentioned, the federal deadline for implementing the system was extended to October 1, 1997; however, the enhanced federal funding has not been extended. According to the Department, the federal government has approved 90% funding for the amount of payment withheld from ISSC for work already completed. Under the Department's contract with ISSC, the state withholds 15% of amounts due pending federal certification of the system. The holdback amount is approximately \$2.9 million.

However, other development costs totalling \$8,644,400 have been incurred after the September 30, 1995, deadline. If 90% federal funding is provided for these costs, the state share would be \$864,400 GPR. However, if enhanced federal funds are not made available, the state would be required to pay 34% of these costs or \$2,939,100 GPR, an increase of \$2,074,700 GPR.

The Department's request indicates that additional funds may be needed from the Committee's appropriation to address these costs. The request does not identify other options for funding the shortfall in federal revenues.

### ALTERNATIVES

1. Approve the Department's request to transfer \$5,470,200 GPR from the Committee's appropriation under 20.865(4)(a) to DILHR's general program operations appropriation under 20.445(3)(a) in 1996-97 to be used for the KIDS computer system during the first six months of the 1996-97 fiscal year.

2. Transfer \$4,303,200 GPR from the Committee's appropriation under 20.865(4)(a) to DILHR's general program operations appropriation under 20.445(3)(a) in 1996-97, to reflect reductions of \$791,200 GPR for change orders and \$375,800 GPR for additional on-site support.

Prepared by: Rob Reinhardt

MO# Alt. 2

<del>BURKE</del>	<input checked="" type="radio"/>	N	A
ANDREA	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	<input checked="" type="radio"/> A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
WEEDEN	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
2 BRANCEL	<input checked="" type="radio"/>	N	A
FOTI	<input checked="" type="radio"/>	N	A
SCHNEIDERS	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
PORTER	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 14 NO 0 ABS 2

## CORRESPONDENCE MEMORANDUM

STATE OF WISCONSIN  
Department of Administration

**Date:** June 11, 1996

**To:** Members, Joint Committee on Finance

**From:** James R. Klauser, Secretary  
Department of Administration

**Subject:** S. 13.10 Request from the Department of Industry, Labor and Human Relations for Release of Kids Information Data Systems Funds

**Request**

The department requests the transfer of \$5,470,200 GPR in 1996-97 from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a) in the Department of Industry Labor and Human Relations for the operation of the Kids Information Data System (KIDS).

**Background**

The responsibility for KIDS, an automated, statewide child support information system, will transfer from the Department of Health and Social Services (DHSS) to the Department of Industry, Labor and Human Relations (DILHR), effective July 1, 1996.

Federal legislation has extended the original deadline for the completion of all automated child support systems from October 1, 1995 to October 1, 1997. Statewide implementation, originally scheduled for October 1, 1995, has been delayed several times as certain implementation problems are resolved. Those counties that have already gone through the conversion process have required more support than originally anticipated. Those counties that have yet to convert to KIDS have requested to delay conversion in order to receive additional training and to clean up their existing data as much as possible. The current implementation schedule calls for the remaining 38 counties to be converted to KIDS over the course of the next four months from June to September 1996. Milwaukee County is scheduled to be converted in September.

Integrated Systems Solutions Corporation (ISSC) is the vendor responsible for the development and implementation of the federally required components of KIDS. ISSC's work in this area was completed by December 1995. It is also responsible for the development and implementation of components that were specified in the request for proposal but not required by the federal government and for changes that the counties have requested as a result of their experience during the implementation process. The KIDS project director indicates that it could be another year before all the change orders are implemented.

In projects like these, it is typical to require a one-year warranty period under which the vendor is held accountable for any problems that occur as part of the contract. Despite the fact that all counties have not converted to KIDS, it is likely that the original warranty period with ISSC will extend only until December 31, 1996. DHSS has indicated that it would be very difficult to outsource the maintenance of the KIDS system until after the ISSC's warranty period has expired. In the interim, DILHR will contract with ISSC in concert with the Bureau of Information Technology Services (BITS) to maintain the system.

The department's request indicates that it may outsource the maintenance of the KIDS system as early as January 1997. The KIDS project manager, however, has indicated that the ISSC contract may be extended through June 1997. If this were to happen, the warranty period with ISSC would extend until December 1997. If a vendor other than ISSC won the competitively bid system maintenance contract, it would officially start January 1998, transitioning during the prior 6 month period. Even when the outsourcing contract is in place, however, state staff will be needed to administer the contract and monitor the quality of services provided.

The Joint Committee on Finance (JCF) approved most of the funding recommended for KIDS in the Governor's biennial budget, but placed \$5,759,200 GPR in FY96 and \$7,522,100 GPR in FY97 in its supplemental appropriation under s. 20.865(4)(a). DHSS has already submitted one s. 13.10 request to have a portion of the FY96 funds released (\$2,316,400 GPR). The remaining FY96 funds (\$3,442,800 GPR) will not be needed in FY96 in large part because of the delay in statewide implementation. These funds will roll forward in the JCF appropriation, leaving a total of \$10,964,900 GPR available for the KIDS project in FY97.

### Analysis

The department has completed a revised FY97 budget for the KIDS project. The following table shows the original budget, DILHR's revised budget and the difference. Its s. 13.10 request, however, is based only on the projected needs for the first 6 months of FY97.

Description	Budget - 12 Months All funds (AF)	Projected Expenses - 12 Months AF	Difference
Infotech Charges			
Flat Fee for Mainframe	\$8,036,700	\$6,968,800	\$1,067,900
Network/E-Mail	\$774,000	\$673,000	\$101,000
Staff	\$1,172,100	\$1,643,600	(\$471,500)
BIS subscription fee	\$1,942,600	\$0	\$1,942,600
Equipment/LAN/Maintenance	\$1,684,300	\$1,733,400	(\$49,100)
Centralized Mailings	\$3,319,100	\$3,238,900	\$80,200
Transitional Management	\$2,500,000	\$3,660,000	(\$1,160,000)
Change Orders	\$1,000,000	\$3,000,000	(\$2,000,000)
General Supplies and Services	\$2,123,100	\$2,123,100	\$0

Additional On-site support	\$0	\$2,849,900	(\$2,849,900)
County Support	\$0	\$482,000	(\$482,000)
TOTAL	\$22,551,900	\$26,372,700	(\$3,820,800)
GPR split	\$8,657,700	\$10,433,200	(\$1,775,500)
FED split	\$13,894,200	\$15,939,500	(\$2,045,300)

The Department of Administration's Division of Information Technology Management (Infotech) and DHSS are in the process of renegotiating the FY97 flat fee for mainframe charges related to KIDS. The FY97 flat fee will be lower than originally budgeted primarily because of the delayed implementation of the KIDS project. With Milwaukee County not converting until September, Infotech is able to lower its flat fee and still cover its costs.

Another key difference between the budget and projected expenditures is the fact that the Bureau of Information Technology Services (BITS) at DILHR bills its services to the Division of Economic Support (DES) under a different methodology than the Bureau of Information Services (BIS) did at DHSS. For example, BITS hourly rate per staffperson is higher but it does not charge a subscription fee to the division. In addition, it breaks out charges per full-time equivalent (FTE) employee and per device for LAN, equipment and maintenance. Overall, BITS will actually charge the division less for these services. The one new component is the additional \$229,300 that DES is spending on the transition from DHSS to DILHR. These funds will be used to hire additional contract staff who provide desktop support to help DES staff convert from their current technical environment to DILHR's environment.

In the biennial budget, DHSS requested \$2.5 million for a transitional management contract. These funds were to pay ISSC to maintain the system in conjunction with DHSS staff until the department was ready to assume full responsibility for the system. The biennial budget, however, directed the department to fully contract out the system maintenance. Given this directive, the new estimate for this contract is \$3.66 million. The number of state staff that will be required to monitor the maintenance contract will be reviewed as part of the 1997-99 biennial budget deliberations.

The department is also requesting an additional \$3,331,900 AF for on-site support and county support. The conversion to KIDS has required significantly more resources than originally anticipated. Counties have been legitimately concerned that the original federal timetable was unrealistic and would result in insufficient time and resources for conversion and implementation. With the extension of the federal deadline, DES has been trying to respond to counties' concerns for additional time and resources. Counties have requested additional funding for training, staff overtime, etc. Counties that have not yet converted have to maintain the child support data in both the format of their current system and in the KIDS format. The cost of this duplicative work grows as implementation is delayed. DES has already signed a CY96 contract for \$732,000 AF to help counties in this situation. Of this

amount, \$250,000 has been encumbered from FY96 funds, leaving \$482,000 to be funded from FY97.

DES has also committed its resources and contracted with ISSC and several other outside vendors to provide significant technical support as each county converts. For instance, all equipment is set up and tested prior to and after conversion. BITS and KIDS staff provide help desk and technical support functions. In addition, outside vendors convert each county's data to the KIDS format. As implementation schedules are delayed, these vendor contracts have been extended in order to keep the county data up-to-date. In FY96, it appears that approximately \$2.5 million AF was spent on these services. The revised FY97 budget assumes that \$2,849,900 AF will be allocated for this purpose. It is not clear, however, from the documentation provided by the department that \$2.8 million is needed. Based on the information provided, only \$1,899,900 is needed to continue contracts and implementation support functions through September 1996.

In addition, DES is requesting additional funding for change orders. The standard industry recommendation for change orders is 10 to 20% of the total vendor contract. Based on the total vendor contract of \$19.6 million, the change order budgets should range from \$2 to \$4 million. Approximately \$1 million was budgeted in each fiscal year. Now DES estimates that approximately \$3 million will be needed for change orders both in FY96 and FY97. Based on a review of the FY96 change order list, it appears that \$2.5 million of the \$3 million for FY96 is not for typical change orders but is for additional technical and on-site implementation support for counties. If separate funding is approved for on-site support and county support as requested, \$3 million for actual change orders in FY97 does not appear justifiable. If additional documentation and justification can be provided in the future, the FY97 change order budget could be reviewed.

Finally, it is still unclear whether or not the 90% enhanced federal funding for KIDS will be available for expenditures after October 1, 1995. Federal welfare reform legislation recently vetoed by the President would have provided 90% funding through September 30, 1997 for development costs included in the state's Advanced Planning Document submitted prior to May 1995. This specific provision was not controversial and has a good chance of being included in any federal welfare reform bill that passes. The department's revised budget assumes that all of the development costs will be matched at the 90% rate. If the federal legislation does not pass, the department could incur an additional \$2,074,700 GPR. The department will have to cover this additional cost out of the funds remaining for KIDS in FY97.

Of the expenses projected by DILHR for FY97, \$10,433,200 is GPR. DILHR is requesting 6 months of funding or \$6,605,800 GPR. JCF already appropriated \$1,135,600 GPR for the KIDS project in FY97. Therefore, DHSS is requesting the difference of \$5,470,200 to fund the July through December 1996 period. This will leave \$5,494,700 GPR in JCF's supplemental appropriation in FY97. While the revised FY97 GPR budget for KIDS (\$10,433,200) is significantly over the FY97 GPR originally appropriated for KIDS

(\$7,522,100), it will not create a cost-to-continue over base funds for the next biennium. The on-site and county support, as well as most of the change order budget, should be one-time in nature.

If the change order budget is not increased and only \$1,899,900 is approved for on-site implementation support until additional documentation and justification is provided, the s. 13.10 request could be reduced by \$1,003,000 GPR to \$4,467,200. This leaves \$6,497,700 GPR in JCF's appropriation available for the second half of FY97. By then, DILHR should have more information on the contract costs for the maintenance of KIDS, whether or not the enhanced federal match rate will be available, more information on the number of change orders and the cost of additional on-site implementation support. DILHR will have to return to JCF when more information is available on these costs.

**Recommendation**

Modify the request to maintain the change order budget at \$1 million AF and approve \$1,899,900 AF instead of \$2,849,900 for additional on-site support. This would provide DILHR with \$4,467,200 GPR instead of the \$5,470,200 requested.

Prepared by: Jennifer A. Sajna (266-8219)

## Department of Workforce Development

### June 1996 s. 13.10 Requests

June 18, 1996

#### • Transfer Portion of AFDC Benefits Fund to JOBS Child Care

##### *Request:*

Transfer \$1,126,500 GPR from the Aid to Families with Dependent Children (AFDC) benefits appropriation to provide additional funding for child care under the Job Opportunities and Basic Skills (JOBS) program. (Total funding when combined with federal matching dollars: \$2,765,400) These funds would be distributed on an as-needed basis to counties that have first fully committed their CY96 JOBS child care funding.

##### *Background:*

-Child care assistance is provided to AFDC recipients who:

-obtain unsubsidized employment;

-attend school; or

-incur costs above the allowable program disregard.

-Joint Finance granted a March s.13.10 supplement of \$1,007,600 GPR in FY 1996.

##### *Rationale for Request:*

-Child care needs are increasing as counties enact new welfare initiatives focusing on jobs including Work First, Pay for Performance and Self-Sufficiency First.

-Since AFDC recipients cannot be required to participate in the JOBS program if child care assistance is not provided, counties cannot increase participation unless adequate resources for child care are available.

-Counties are working to meet performance criteria to become W-2 provider agencies; adequate child care funding is crucial to this effort, but counties are unwilling to authorize child care until they are assured that funding is available.

-The supply of available child care must grow to meet the needs that will be created by W-2, and Operation Transition is already increasing the number of AFDC recipients moving into work. Additional funding for JOBS child care will help grow the supply by gradually increasing the demand.

-This funding request would utilize dollars in the current AFDC benefits appropriation that are available due to reductions in the welfare caseload. Reinvesting these dollars into child care funding will in turn yield additional benefit savings through future caseload reductions.

• **KIDS Data System Funding**

**Request:**

Transfer \$4,467,200 GPR for operation of the automated child support system known as the Kids Information Data Systems (KIDS) for anticipated expenditures in the six-month period from July 1, 1996 to December 31, 1996.

**Background:**

The federal government has required that all states establish a statewide automated child support system. The deadline for implementation of this system has been extended from October 1, 1995 to October 1, 1997.

Transition problems have delayed statewide implementation, originally scheduled for October, 1995 completion. Counties that have already been brought on-line have required more support than initially anticipated, and counties not yet converted are requesting additional training and assistance in preparing their data for conversion. Full automation of all 72 counties is expected to be completed by October, 1996. Due to the size and complexity of the system it is anticipated that ongoing assistance and support will be required for several months following full conversion.

The Joint Committee on Finance approved most of the KIDS funding requested in the recent biennial budget but placed \$5,759,200 GPR in FY96 and \$7,522,100 GPR in FY97 in reserve. The Committee has already released \$2,316,400 in FY96 funds; the remaining amount will not be spent in FY96 and will roll forward to leave \$10,964,900 available for KIDS in FY97.

**Rationale for Request:**

-Many of the unanticipated additional costs of this project are one-time in nature and necessary for satisfactory implementation of the system. Counties have requested additional funding for training and implementation costs necessary to complete the transition to the system. Since incorporation of these additional features, many of the initial difficulties faced by counties in the conversion process have been alleviated.

-Counties that have not yet converted to KIDS must keep their data in both their current system and the KIDS form, a process which grows more costly as time passes. Further delaying implementation of the system will only increase these costs.

**Fund Information:**

	<u>FY 96</u>	<u>FY 97</u>
JFC Supplemental appropriation (GPR):	\$ 5,759,200	\$ 7,522,100
October 1995 release:	<u>\$ 2,316,400</u>	
Balance:	\$ 3,442,800	\$ 7,522,100
<b>Total available FY 96&amp;97 funds:</b>		<b>\$10,964,900</b>
<i>1996 June s.13.10 request:</i>		<i>\$ 4,467,200</i>
Remaining available funds:		\$ 6,497,700

**KIDS IMPLEMENTATION  
MAY - SEPTEMBER 1996**

**MAY:**

1. Ashland
2. Burnett
3. Marathon
4. Pepin
5. Sawyer
6. Washburn

**JUNE:**

1. Calumet
2. Columbia
3. Fond du Lac
4. Green
5. Iowa
6. Lafayette
7. Langlade
8. Menominee
9. Outagamie
10. Ozaukee
11. Washington

**JULY:**

1. Buffalo
2. Clark
3. Dodge
4. Jackson
5. Jefferson
6. Juneau
7. Monroe
8. Price
9. Rusk
10. Walworth
11. Waupaca
12. Winnebago

**AUGUST:**

1. Manitowoc
2. Oneida
3. Pierce
4. Portage
5. Racine
6. Rock
7. St. Croix
8. Sauk
9. Shawano
10. Taylor
11. Trempealeau
12. Waushara

**SEPTEMBER:**

1. Milwaukee
2. Douglas
3. Iron

**Tommy Thompson**  
Governor

**Dick Wegner**  
Acting Secretary



**OFFICE OF THE SECRETARY**  
201 East Washington Avenue  
P.O. Box 7946  
Madison, WI 53707-7946  
Telephone: (608) 266-7552  
FAX: (608) 266-1784

**State of Wisconsin**  
**Department of Industry, Labor and Human Relations**

---

May 23, 1996

The Honorable Tim Weeden  
Senate Chair, Joint Committee on Finance  
119 Martin Luther King Jr. Blvd., Suite LL1  
Madison, Wisconsin 53702

The Honorable Ben Brancel  
Assembly Chair, Joint Committee on Finance  
119 Martin Luther King Jr. Blvd., Suite LL2  
Madison, Wisconsin 53702

Dear Senator Weeden and Representative Brancel:

The Department of Industry, Labor and Human Relations requests approval of the Joint Committee on Finance under s. 13.10 to transfer \$5,470,200 GPR from the JFC appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a) in the Department of Industry, Labor and Human Relations for the operation of the Kids Information Data System (KIDS). This funding is requested to cover anticipated expenditures for the period July 1, 1996 to December 31, 1996, for items for which funding was placed into the JFC appropriation as part of 1995 Wisconsin Act 27.

Act 27 placed a total of \$5,759,200 GPR in 1995-96 and \$7,522,100 GPR in 1996-97 in its supplemental appropriation and directed the Department of Health and Social Services to request the funding under s. 13.10 when bids are received from private vendors for ongoing maintenance of KIDS. In October 1995 the JFC approved the release to DHSS of \$2,316,400 GPR for KIDS operations. At the time it was anticipated that these funds would be sufficient to fund KIDS through March 1996. However, statewide implementation of KIDS was delayed, so the funding released was sufficient to fund KIDS through June 1996. This leaves a balance of \$3,442,800 GPR from 1995-96 and all of the \$7,522,100 GPR in 1996-97, for a total of \$10,964,900 GPR in the biennium in the JFC appropriation available for KIDS.

Statewide implementation of KIDS has been delayed while several implementation problems are resolved. These problems resulted from the need for additional support for the counties currently in operation, a desire to provide additional training to county staff on the operation of KIDS, and technical changes to the system to address county concerns on the operation of KIDS. The current schedule now calls for the remaining 38 counties to be converted to KIDS over the course of four months from June to September 1996. Attachment 1 details the latest KIDS implementation schedule.

The Honorable Tim Weeden, Co-Chair  
The Honorable Ben Brancel, Co-Chair  
March 18, 1996  
Page 2

As part of Act 27, a total of \$13,609,700 (\$5,485,300 GPR) was budgeted for the Information Systems Plan (ISP) portion of KIDS, including the Department's Bureau of Information Technology Services (BITS) costs and charges from the DOA Infotech utility for KIDS. The BIS portion of the ISP includes funding for BITS staff, LAN services and equipment purchases and maintenance. These projections used rates that were applicable to the DHSS Bureau of Information Systems (BIS) at the time the budget was prepared. The Infotech portion of the ISP includes funding for mainframe services provided by the DOA system utility and network and E-Mail services. DES is paying a flat fee to DOA for operating KIDS on the DOA mainframe for 1995-96. However, the Department has not finalized the flat fee for 1996-97, but the current estimates call for total Infotech mainframe charges to be \$6,968,800 in 1996-97. Using current BITS rates, the Department now estimates that the total funding needed for 1996-97 for BITS and Infotech services will be \$11,018,800 (\$4,359,100 GPR), a reduction of \$2,590,900 (\$1,126,200 GPR).

The development and implementation of KIDS is the primary responsibility of the KIDS vendor, Integrated Systems Solutions Corporation (ISSC), with assistance from State program and technical staff. In addition, the Department will contract with ISSC, in concert with BITS, to maintain the system until a vendor is selected through a competitive process after the warranty period expires in December 1996. In the interim, the Department is contracting with ISSC for assistance in maintaining the system in cooperation with BITS. The contract for systems maintenance, which covers the daily operation of KIDS and maintaining the existing software, is estimated to total \$3,660,000 for 1996-97. However, even when the contract is signed, there will continue to be a need for some state staff presence in the maintenance of KIDS to serve as technical leads for major business areas of KIDS, to administer the maintenance contract and to provide quality assurance and monitoring of the contract.

In addition to the maintenance contract, there are changes to KIDS which are being designed and incorporated through change orders. DES is currently working with counties in a systematic manner to identify and prioritize change orders necessary. These include changes designed to respond to county workload concerns, changes in legislation and other major modifications. The \$3,000,000 figure for change orders is similar to the amount which corresponds to change orders identified during 1995-96.

The implementation of both KIDS and CARES to date has shown that providing significant amounts of technical and on-site support is essential to the successful implementation of major statewide systems. This item was previously not identified separately; however, due to our increased understanding of its importance and its impact on local implementation efforts, we have shown the estimated expenses the Department will incur in this effort.

The Honorable Tim Weeden, Co-Chair  
The Honorable Ben Brancel, Co-Chair  
March 18, 1996  
Page 3

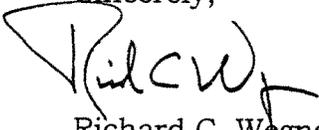
An itemization of projected expenditures is attached. Subtracting the \$5,470,200 from the \$10,964,900 GPR currently available in the JFC supplemental appropriation for KIDS leaves a balance of \$5,494,700 available to fund KIDS for the period January 1997 to June 1997.

The extent of 90% enhanced funding for KIDS is unknown at this time. Public Law 104-35 as signed by the President in October 1996 extended the deadline for all states to have an operational automated child support system from October 1, 1995 to October 1, 1997. This act, however, did not extend the enhanced funding for automated child support systems beyond September 30, 1995, so the 90% federal funding for systems ended on that date. The federal welfare reform legislation that was vetoed by the President would have provided 90% funding through September 30, 1997 for development costs that were included in the state's Advance Planning Document (APD) submitted prior to May 1, 1995.

The federal government has approved the holdback at a 90% federal match rate, so the difference between the total payments made after September 30, 1995 and the holdback, \$8,644,500, is in question as to the federal match rate that will be allowed. If the federal legislation does not pass to extend the enhanced funding, the Department could incur these expenses at the regular 66% match rate, requiring \$2,939,100 GPR, as opposed to the enhanced 90% match rate, requiring \$864,400 GPR. The maximum liability that would occur as a result of the delay in implementation is thus \$2,074,700 GPR. As a result, the Department may need to access additional funds from the JFC appropriation at a later date to compensate for the higher match rate assumed in the budget.

Ms. Jean Rogers, Administrator for the Division of Economic Support, will represent the Department at the s. 13.10 meeting.

Sincerely,



Richard C. Wegner  
Acting Secretary, DILHR

**KIDS s. 13.10 REQUEST**

SFY 1996-97

May 23, 1996

	<u>Approved</u>	<u>Revised</u>	<u>Projected Expenses</u>		<u>6-Month</u>
			<u>Jul-Sept</u>	<u>Oct-Dec</u>	<u>Total</u>
<u>ISP</u>					
Staff	1,172,100	1,643,600	410,900	410,900	821,800
Subscription Fee	1,942,600	0	0	0	0
LAN/Mainframe	479,300	860,100	215,100	215,000	430,100
Maintenance	514,100	182,400	45,600	45,600	91,200
Capital/Installation	690,900	690,900	345,500	345,400	690,900
IT Main Frame	8,036,700	6,968,800	1,742,200	1,742,200	3,484,400
IT E-mail	221,000	120,000	30,000	30,000	60,000
Telecommunications	<u>553,000</u>	<u>553,000</u>	<u>138,300</u>	<u>138,300</u>	<u>276,600</u>
<b>Total ISP</b>	<b>\$13,609,700</b>	<b>\$11,018,800</b>	<b>\$2,927,600</b>	<b>\$2,927,400</b>	<b>\$5,855,000</b>
GPR	\$5,485,300	\$4,359,100	\$1,158,200	\$1,158,100	\$2,316,300
FFP	\$8,124,400	\$6,659,700	\$1,769,400	\$1,769,300	\$3,538,700
<u>Supplies &amp; Services</u>					
Transitional Systems Main	2,500,000	3,660,000	915,000	915,000	1,830,000
Centralized Mailing	3,319,100	3,238,900	809,700	809,700	1,619,400
Change Orders	1,000,000	3,000,000	1,500,000	1,500,000	3,000,000
Add'l On-site support	0	2,849,900	1,899,900	950,000	2,849,900
General S&S	2,123,100	2,123,100	530,800	530,800	1,061,600
County Support	0	<u>482,000</u>	<u>482,000</u>	0	<u>482,000</u>
<b>Total S &amp; S</b>	<b>\$8,942,200</b>	<b>\$15,353,900</b>	<b>\$6,137,400</b>	<b>\$4,705,500</b>	<b>\$10,842,900</b>
GPR	\$3,172,400	\$6,074,100	\$2,428,000	\$1,861,500	\$4,289,500
FED	\$5,769,800	\$9,279,700	\$3,709,400	\$2,844,000	\$6,553,400
<b>Total ISP &amp; S&amp;S</b>	<b>\$22,551,900</b>	<b>\$26,372,700</b>	<b>\$9,065,000</b>	<b>\$7,632,900</b>	<b>\$16,697,900</b>
GPR	\$8,657,700	\$10,433,200	\$3,586,200	\$3,019,600	\$6,605,800
FED	\$13,894,200	\$15,939,400	\$5,478,800	\$4,613,300	\$10,092,100

s. 13.10 Request

GPR Required through Dec. 1996	\$6,605,800
GPR Provided in Act 27	<u>1,135,600</u>

Total Funding Requested	\$5,470,200
-------------------------	-------------

JFC Appropriation Balance

Original Amount in JFC (1995-96 Balance + 1996-97 Amount)	\$10,964,900
s. 13.10 Request	<u>5,470,200</u>

Balance Remaining	<u>\$5,494,700</u>
-------------------	--------------------