

**2001 DRAFTING REQUEST**

**Bill**

Received: 01/12/2001

Received By: isagerro

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Blaine

This file may be shown to any legislator: NO

Drafter: isagerro

May Contact:

Alt. Drafters:

Subject: Public Assistance - food stamps

Extra Copies:

**Pre Topic:**

DOA:.....Blaine -

**Topic:**

Food stamp reinvestment allocation

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	isagerro 01/16/2001	wjackson 01/16/2001	rschluet 01/17/2001	_____	lrb_docadmin 01/17/2001		S&L
/2	isagerro 01/29/2001	wjackson 01/29/2001	haugeca 01/29/2001	_____	lrb_docadmin 01/30/2001		S&L

FE Sent For:

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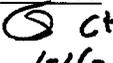
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FE Sent For:

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STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



*Mi Jan 12 01-2024*  
Division of Executive Budget and Finance  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1736  
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**Date:** January 11, 2001

**To:** Steve Miller, LRB

**From:** Robert Blaine, DOA

**Subject:** Budget Draft -- Department of Workforce Development (DWD) Division of Economic Support (DES) statutory language requests.

Attached is one statutory language request regarding the department's food stamp program. This language would direct the department to reallocate funds in appropriation 20.445 (3) ~~XXX~~ to the food stamp reinvestment program.

If you or your staff have any questions, feel free to contact me at 266-8219 or through E-mail at [robert.blaine@doa.state.wi.us](mailto:robert.blaine@doa.state.wi.us).

STATUTORY MODIFICATIONS

Department of Administration:  
2001-03 Biennial Budget

Analyst: Robert Blaine

**Subject: Excess Federal Funds and Food Stamp Reinvestment**

Background

On September 25, 1998, the Joint Committee on Finance approved a plan submitted by the Department of Workforce Development (DWD) detailing the proposed use of excess federal funds (see attachment). One of the proposals approved was to earmark \$500,000 of these funds as a contingency in the event that the federal Department of Labor did not approve a cost allocation plan submitted by DWD in the 1997-98 federal fiscal year. These funds are currently appropriated in 20.445 (3)(nL).

Another portion of this plan allocated \$2,541,100 to food stamp reinvestment activities. Food stamp reinvestment is an effort by the department to improve the administration of the food stamp program through efforts such as outreach and heightened activities to improve the accuracy of the calculation of food stamp benefits.

Request

The administration would like to create a nonstatutory provision directing the department to reallocate the \$500,000 in excess federal funds earmarked for the cost allocation contingency to its food stamp reinvestment program. A way of specifying this provision would be to direct the department to increase the amount of funds in appropriation 20.449 (3)(nL) earmarked for food stamp reinvestment by \$500,000.

*\$500,000 of the moneys ~~allocated~~ appropriated to it under s. 20.455 (3)(nL) that were allocated to cover costs of federal programs administered by DWD and the amount reimbursed by the federal departments of labor and the federal department of h/h services*  
The department of workforce development shall reallocate ~~the~~ *the difference between the administrative that are*

# STATE OF WISCONSIN

SENATE CHAIR  
TIMOTHY WEEDEN



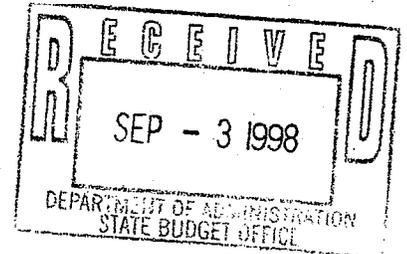
ASSEMBLY CHAIR  
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## JOINT COMMITTEE ON FINANCE

September 3, 1998



TO: Members  
Joint Committee on Finance

FROM: Tim Weeden, Senate Chair  
John Gard, Assembly Chair  
Joint Committee on Finance

SUBJECT: Request from Department of Workforce Development Related to Excess Federal Revenues

Attached is a request dated August 4, 1998, submitted from the Department of Workforce Development (DWD) to us regarding the use of excess federal revenues. We are also attaching a memorandum prepared by the Legislative Fiscal Bureau which describes excess federal revenues, the current process practiced by the Department of Health and Family Services (DHFS) and statutory authority related to excess federal revenues.

There are two components to the Department's request. First, DWD is requesting approval of a process to use excess federal funding under a policy comparable to the process currently practiced by DHFS, in which the Department could use excess federal revenues generally for federal disallowances, federal sanctions and corrective actions resulting from lawsuits. Excess federal revenues not needed for these purposes would lapse to the general fund. As noted by the Legislative Fiscal Bureau, it appears the Joint Committee on Finance currently does not have the statutory authority to enter into such an agreement.

The second component of DWD's request is a description of the current excess federal revenues of \$15.9 million, and proposed expenditures of those revenues. Without authority to utilize excess federal revenues under the process originally proposed by DWD, the Department may not expend the \$15.9 million amount without approval by the Committee.

Without appropriate statutory authority, we believe it is best to not approve the Department's request to use excess federal funding under a policy comparable to the process currently practiced by DHFS. Rather, the process for expending excess federal revenues for all agencies could be addressed in the upcoming biennial budget. However, we propose that the Committee approve the use of the \$15.9 million for the expenditures outlined in DWD's request and described in the Fiscal Bureau memorandum. This would allow DWD to use the funding they have obtained to meet current and potential obligations.

As noted in the memorandum prepared by the Legislative Fiscal Bureau, the process to approve the proposed expenditures of the \$15.9 million amount is not specified in the statutes. Therefore, we would ask that you review the attached request and memorandum. If any member of the Committee wishes to meet on the request, please notify us within 14 working days (September 24). We will then schedule a meeting to review the request. However, if no objection is made within 14 days, the following will be adopted as the Committee's decision:

- (1) the Department's request that the Joint Finance Committee approve a process that allows DWD to use excess federal revenues generally for federal disallowances, federal sanctions and corrective actions from lawsuits is denied; and
- (2) the Department may use the \$15.9 million in excess federal revenues it has obtained for the expenditures shown in Table 1 of the attached memorandum prepared by the Legislative Fiscal Bureau.

We will then send a letter to the Secretary of DWD notifying her of the Committee's decision.

If you have any questions or would like to discuss this issue, please contact us.

TW/JG/dh

Attachments

cc: Linda Stewart, Department of Workforce Development



## Legislative Fiscal Bureau

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

August 28, 1998

**TO:** Representative John Gard, Assembly Chair  
Senator Tim Weeden, Senate Chair  
Joint Committee on Finance

**FROM:** Bob Lang, Director

**SUBJECT:** Request from the Department of Workforce Development Related to Excess Federal Funding

This memorandum addresses an August 4, 1998, letter from the Department of Workforce Development (DWD) to you regarding the use of excess federal revenues. DWD is requesting approval of a process to use excess federal funding under a policy comparable to the process currently practiced by the Department of Health and Family Services (DHFS), as described below.

You asked us to review and comment on the Department's request. This memorandum: (1) provides information on how excess federal revenues are obtained and the statutes regarding excess federal revenues; (2) describes the process currently used by DHFS in notifying the Committee of excess federal funding; and (3) explains the current request by DWD.

### EXCESS FEDERAL FUNDING IN DWD AND DHFS

Excess federal revenues in DWD and DHFS generally arise when the Department receives federal funding as a reimbursement for expenditures originally paid for from GPR, program revenue, or other state or local dollars.

Several programs in DWD and DHFS are funded through a matching arrangement with the federal government, in which the federal government pays a percentage of the state's expenditures for the program. These programs include the former aid to families with dependent children (AFDC) and job opportunities and basic skills (JOBS) programs, food stamp employment and training (FSET), child support enforcement and medical assistance (MA).

In most instances, the federal share of expenditures for each program is known during the budget process, and the amount of GPR budgeted is net of the level of federal funding that is estimated as a match for the state funding. However, excess federal funding can arise when costs are reimbursed to the state at a greater rate than predicted, either within a particular program or by charging costs to a separate program that has a higher matching rate. In addition, excess federal funding may be generated when the state is able to identify new state or local expenditures that the federal government determines are allowable and qualify for federal matching funds. Often, excess funding generated in this way is received in a fiscal year after the state expenditures have been made.

Based on this description, federal medical assistance (MA) payments the state receives through intergovernmental transfer (IGT) programs could be considered excess federal funds. Under these programs, the state certifies counties' MA allowable expenditures and claims federal matching funds for those expenditures. The largest source of IGT revenue is attributable to expenses incurred for the operation of county-owned nursing homes. In the 1998-99 biennium, approximately \$59.1 million in federal IGT revenues are expected to be collected from this source.

However, MA IGT revenues have not, in the past, been treated in the same manner as other excess federal funds. Unlike other excess federal funds, MA IGT funds are budgeted prospectively as part of the development of the MA biennial budget. Further, unlike other excess federal funds, the statutes specify a procedure DHFS must use to distribute funds that exceed the budget estimates [s. 49.45(6s)].

Although other state agencies may receive federal funds in a year that were not anticipated during the budget process, generally those federal funds are provided to the agency for a specific purpose and are not provided to the state as a reimbursement for prior state expenditures. The excess federal revenues received by DWD and DHFS generally are provided as a reimbursement for prior state expenditures and generally have no federal restrictions regarding their use.

## **STATUTORY PROVISIONS GOVERNING EXCESS FEDERAL REVENUES**

DWD is requesting approval of a process that would allow the Department to use excess federal revenues generally for federal disallowances, federal sanctions, corrective actions resulting from lawsuits, or lapses to the general fund. DWD would provide notification to the Joint Committee on Finance, rather than seek approval by the Committee for such expenditures. In its request, the Department indicated that it currently has \$15.9 million in excess federal revenues and the Department provided a list of proposed expenditures of the \$15.9 million.

The process requested by DWD would provide the Department with broad authority to utilize excess federal revenues for certain activities, and would provide an incentive to the Department to maximize federal dollars. However, based upon a review of the statutes and discussions with legislative attorneys and staff of the Legislative Audit Bureau (LAB), it appears that no current

statute allows the Committee to enter into such a long-term agreement. The three statutes described below pertain to the use of excess federal funding of the type received by DWD.

Under s. 20.002(10), if any appropriation that is made to match or secure federal funds is in excess of the amount needed to match federal funds, the state agency involved must notify DOA, which must notify the Governor and the Joint Committee on Finance. These funds then must be placed in unallotted reserve and may not be released unless the release is first approved by the Committee.

Section 20.001(4) also applies to excess federal revenues. Under this statute, excess federal revenues would be considered GPR-earned. GPR-earned is revenue that is received by a state agency incidentally in connection with general purpose revenue appropriations in the course of accomplishing program objectives. These revenues must be treated as a nonappropriated receipt and are not available for expenditure.

Finally, under s. 16.52(2), excess federal revenues would be considered a refund of an expenditure and, therefore, would be a nonappropriated receipt. As under 20.002(4), these revenues would not be available for expenditure.

These statutes provide conflicting guidance as to the process to be used for expending excess federal revenues of the type received by DWD. Only s. 20.002(10) would allow the Department to expend these revenues, and only with approval by the Joint Committee on Finance. As noted above, no existing statute allows the Committee to enter into long-term agreements to allow DWD to expend excess federal revenues.

The Joint Committee on Finance has previously approved the use of excess federal funding for specific purposes upon request by the Department. Most recently, at the June, 1998, s. 13.10 meeting the Committee approved \$695,700 in excess federal revenue to be used for the KIDS computer system based on a recommendation from the Legislative Audit Bureau.

The following sections of this memorandum describe the process for review of excess federal funds currently practiced by DHFS, provide more details regarding the current request by DWD, and outline options for the Committee.

## **DHFS PROCESS**

In September, 1982, the Legislative Audit Bureau released an audit report of the Community Aids Program in the Department of Health and Social Services (DHSS). In its review, the LAB discovered that DHSS had been accumulating surplus monies in federal accounts and was using the surplus funding for its discretionary purposes rather than reimbursing costs which had initially been paid with GPR dollars.

The LAB report identified three sources of discretionary funds. One of these sources of discretionary funds was appropriated under s. 20.435(2)(bb) of the 1980 Wisconsin statutes. These

monies were appropriated under a mechanism referred to as applied receipts, in which the amount of GPR appropriated was calculated by subtracting federal receipts from the total amount needed for the program. Therefore, if more federal funds were received than anticipated, the GPR level was to be reduced by the amount of the excess. Conversely, if federal funds were lower than anticipated, GPR would be increased by the amount of the shortfall. In addition, under this appropriation, DHSS was required to lapse 90% of remaining funding unless the Joint Committee on Finance approved a request from the Department to transfer those dollars to the next calendar year. The remaining 10% was available to the Department for specific purposes.

The LAB found that the Department disregarded the applied receipts provision and the lapsing provisions under the appropriation, and instead used excess federal funding for separate purposes. The LAB did not disagree with the purposes for which the funds were used, rather the LAB report indicated that DHSS should have allowed for adequate legislative oversight in how those funds were spent.

The remaining two sources of discretionary funding resulting from excess federal revenues were not appropriated under an applied receipts mechanism. However, according to the LAB report, both of these funding sources involved reimbursements for expenditures that were originally funded out of the state's GPR or county resources. The LAB report indicated that these discretionary funds should not be considered federal funds because the federal government has no claim to the monies and the revenues could be spent as any other GPR is spent. The LAB concluded that the Department was pre-empting legislative authority to appropriate these dollars.

In a March 11, 1983, letter from the Secretary of DHSS to the Co-Chairs of the Joint Committee on Finance, DHSS outlined policy guidelines for administering federal funds. These guidelines were stated as follows:

1. The Department will include in the Biennial Budget request its estimation of the most probable level of federal funding that can be anticipated along with the intended use of those funds. When plans for expending budgeted Federal funds differ materially from plans reviewed by the Legislature in the Biennial Budget, the Department will offer an opportunity for appropriate Legislative review. In most instances, an advisory notice to the Joint Committee on Finance, or a request for Joint Finance approval, is the mechanism that will be used.

2. The Department should claim additional federal funds for approved program purposes when there is a reasonable basis, not necessarily a certainty, of making the claim. Efforts should be made to maximize funds, if possible, beyond those anticipated in the budget, as availability of funds becomes known.

3. When Federal funds can be successfully claimed which were not included in the Biennial Budget and the funds are either reimbursement for past GPR expenditures, changes in federal matching ratios, or payment for expenses which would otherwise be billed to GPR budgeted for that purpose, the results will be to lapse the monies to the general fund. However, in some cases, particularly for programs which have a high degree

of Executive and Legislative support, the Department will propose the use of such funds in the current or future fiscal year. In this case, Legislative review will be provided as noted above.

4. Because of the Department's approach to claim federal funds assertively, and the complex federal program and financial management environment in which we operate, some disallowances can be anticipated. When a claim for unbudgeted federal reimbursement is considered questionable, that excess Federal revenue will be retained until the ultimate resolution of the claim or audit of disallowance is determined, even if this means crossing fiscal years. These funds will be clearly identified. Upon resolution, any unused funds will lapse to the general fund."

In response to this letter, on June 2, 1983, the Co-Chairs of the Joint Committee on Finance wrote to the Secretary of DHSS:

"Your letter sets forth several policies you have implemented to avoid accumulating such 'excesses' in the future. First, if H&SS receives federal funds in excess of budgeted levels, these funds will be used to reduce GPR expenditures whenever possible, except in isolated cases where a program has had a high degree of legislative support, such as day care, in which case any planned use of the funds other than lapsing will be brought to the attention of the Joint Committee on Finance. The other exception to this policy will be where H&SS is facing a possible federal audit disallowance. In such a case, any excess federal revenues received will be set aside for the specific purpose of meeting this disallowance. If the potential disallowance is resolved partly or totally in the state's favor, funds set aside and not needed will be lapsed to the state's general fund. In addition, as a general rule, H&SS will notify the Joint Committee on Finance if its plans for expending budgeted federal funds differ materially from plans reviewed by the Legislature during the biennial budget.

We would like to indicate our approval of these policies and emphasize the importance of H&SS not accumulating such discretionary revenue amounts in the future."

In practice, since 1983, DHSS, which has become the Department of Health and Family Services (DHFS) provides an annual notification to the Department of Administration (DOA) regarding the amount of unbudgeted excess federal funding generated prior to the close of the state fiscal year. This notification also contains any plans for using these funds generally for federal disallowances, federal sanctions, corrective actions resulting from lawsuits, or lapses to the general fund. After receiving approval from DOA, DHFS sends notification to the Joint Committee on Finance and to the Legislative Audit Bureau.

In the past six years, DHFS has notified the Committee that it had obtained \$46.3 million in excess federal revenue. Of that amount, \$5.8 million was used for federal disallowances, \$990,000

was used to offset federal reductions to the Social Services Block Grant, and the remainder, \$39.5 million has been deposited to the general fund.

### **CURRENT REQUEST FROM DWD**

In the request currently before the Committee, DWD is asking for approval of a process related to excess federal revenues similar to that currently practiced by DHFS. Under this proposal, DWD would be required to provide an annual notification to DOA regarding the amount of unbudgeted excess federal funding generated prior to the close of the state fiscal year. This notification would also have to contain any plans for using these funds generally for federal disallowances, federal sanctions, corrective actions resulting from lawsuits, or lapses to the general fund. After receiving approval from DOA, DWD would be required to notify the Joint Committee on Finance.

Two points should be noted regarding this proposed process. First, as described earlier, it appears that no statute currently provides the Committee with the authority to enter into such a long-term agreement.

Second, in proposing to provide notification "generally for federal disallowances, federal sanctions, corrective actions resulting from lawsuits, or lapses to the general fund," DWD is seeking broad flexibility to use excess federal funding for other purposes. For example, of the expenditures described below and shown in Table 1, the human services payments to counties would not be considered a federal disallowance, federal sanction, corrective action resulting from a lawsuit, or a lapse to the general fund. Although these expenditures are related to the generation of excess federal dollars, the proposal by the Department does not clarify if these expenditures would be allowable by the Department with only a notification provided to the Committee, or if the Committee would have to approve those expenditures.

### **Current Excess Federal Funding in DWD**

The Department's request includes documentation of the excess federal funding available through 1997-98 and the proposed expenditure of those funds. The following table shows the excess federal revenues and expenditures as proposed by the Department.

**TABLE 1**

**Excess Federal Revenue  
1997-98**

**Revenues**

Newly Identified State and Local Expenditures	
Local Human Service Claims	\$3,819,622
Higher Education Aids Board (HEAB)	175,314
Job Ride Program	272,650
Change in Federal Matching Rate	
KIDS Information Data System	1,249,715
Time Study	1,378,751
JOBS Program	1,471,803
WTCS Arrangement	
Milwaukee Area Technical College	2,570,125
Wisconsin Technical College System	4,776,647
CARES Hardware Depreciation	184,276
Dottie Moore Balance	<u>21,749</u>
<b>Total Excess Federal Revenues</b>	<b>\$15,920,652</b>

**Expenditures**

WTCS Audit Disallowance	\$5,324,991
KIDS County Priority Requests	695,700
CARES	1,587,000
Child Care	1,007,600
MATC Repayment	2,570,125
WTCS Closeout	273,620
Human Services Payments to Counties	866,265
KIDS County Priority Changes Balance	554,300
1996-97 Cost Allocation Resolution	500,000
FFY 94-96 Food Stamp Reinvestment Plan	<u>300,000</u> *
<b>Proposed Expenditures</b>	<b>\$13,679,601</b>
Potential Food Stamp Error Rate Penalties	<u>2,241,051</u> *
<b>Total Proposed Expenditures</b>	<b>\$15,920,652</b>

## Revenues

As shown, DWD has identified \$15.9 million in excess federal revenues. These revenues arise from several sources, and are described in more detail below.

*Newly Identified State and Local Expenditures Eligible for Federal Match.* Federal funding in excess of budgeted amounts was obtained by DWD by identifying expenditures that had not previously been considered as eligible for federal matching funds. These federal revenues are a reimbursement for costs originally paid for from state or local dollars and include: (a) \$3.8 million for expenditures by local human service agencies for services provided to AFDC recipients and JOBS participants from 1994 through 1996; (b) \$175,300 for state expenditures by the Higher Education Aids Board (HEAB) to AFDC recipients from 1994 to 1996; and (c) \$272,650 for state expenditures under the Job Ride program from 1994 to 1996.

*Change in the Federal Matching Rate.* A total of \$4.1 million in excess federal revenue was obtained when the Department claimed a federal match for certain expenditures under a higher matching rate than anticipated during the biennial budget. As shown in Table 1, the Department obtained an additional \$1.25 million for the KIDS information system because they were able to claim certain expenditures as developmental expenditures for which the federal government pays 90% of the total costs, rather than operational expenditures for which the federal government would have paid only 66% of the costs. In addition, the Department obtained \$1.4 million by documenting that employes had spent more time on the JOBS program and child support, that had higher matching rates than under the AFDC program as originally budgeted. The \$1.5 million claimed for the JOBS program also was obtained when a time study revealed that more time was being spent by employes on direct services for which the federal government pays 60% of the costs, rather than on general administration for which the federal government would have paid only 50% of the costs.

*WTCS Arrangement.* In an arrangement with the Wisconsin Technical College System (WTCS), expenditures by WTCS for AFDC and food stamp recipients who were receiving eligible employment training services from the system were used as local revenues to match federal funds under the food stamp employment and training program. Under this agreement, local agencies had to also expand services to JOBS and FSET participants. The Department has identified \$2.6 million in excess federal revenues that resulted from this arrangement for services provided by the Milwaukee Area Technical College during federal fiscal year (FFY) 1994, and \$4.8 million from this arrangement with the WTCS for services provided during FFY 1995 and FFY 1996.

*CARES Hardware Depreciation.* From 1993 to 1994, the Division of Economic Support incurred state expenditures for equipment related to the Client Assistance for Re-Employment System (CARES). Under federal provisions, the state may receive a federal match for these expenditures. However, the federal match is amortized over a five-year period. The federal government has provided the state with \$184,276, the federal share of these costs for fiscal year 1997.

*Dottie Moore Balance.* The state of Wisconsin and Milwaukee County were sued in federal court in 1980 by Legal Action of Wisconsin in Dottie Moore, et al vs. Milwaukee County et al. on behalf of AFDC recipients for failure to meet federal requirements related to the distribution of child support. In 1982, the U.S. District Court entered into a judgment that included a permanent injunction for the state and Milwaukee County to comply with the federal requirements relating to the distribution of support. In 1990, a motion for contempt was filed in federal court claiming that the state and Milwaukee County had failed to meet the requirements of the original stipulated judgment. Consequently, state and county legal counsel reached a new settlement of the Dottie Moore lawsuit which required the DHFS to attempt to locate individuals who may have been eligible for retroactive relief payments since 1984 and pay the benefits to eligible individuals.

In April, 1992, and in February, 1993, DHFS notified the Joint Committee on Finance of its intent to use \$750,000 in excess federal funds to meet the requirements of the final settlement terms of the Dottie Moore lawsuit. Of this amount, \$21,749 remains unspent and is available excess federal revenue.

### **Expenditures**

Expenditures include a total of \$8.6 million for costs that have already been approved by the Joint Committee on Finance. These include: (a) \$5.3 million for the WTCS disallowance described in a letter to the Committee on July 9, 1998; (b) \$695,700 for the KIDS County Priority requests approved by the Committee at the June 23, 1998, s. 13.10 meeting; (c) \$1.6 million for the CARES system approved by the Committee at the April 16, 1996, Committee meeting; and (d) \$1.0 million for child care also approved by the Committee at the April 16, 1996, meeting.

In addition, the Department has identified a total of \$7.3 million in other expenditures that have not previously been reviewed by the Committee. These expenditures are described in more detail below:

*MATC Repayment.* In reviewing the WTCS arrangement described above, the U.S. Department of Agriculture (USDA), and the federal Department of Health and Human Services (DHHS) determined that a portion of the federal funds claimed by DWD in FFY 1995 and FFY 1996 were not allowable. However, DWD had also claimed \$2.5 million in FFY 1994 from expenditures with the Milwaukee Area Technical College. Because the USDA and DHHS disallowed similar costs for the years FFY 1995 and FFY 1996, the Department proposes to return the \$2.5 million to avoid any future disallowances.

*WTCS Closeout.* The WTCS arrangement required local agencies to expand services to JOBS and FSET recipients. The Department issued a contract with local agencies to provide funding to the agencies for the costs to expand services. The following counties reported costs that were higher than originally contracted: Brown, Door, Lincoln, Manitowoc, Marathon, Monroe,

Oneida, Portage, Price, Rock and Sawyer. The Department, therefore, proposes to reimburse these agencies. The total cost for reimbursement is \$273,620.

*Human Services Payments to Counties.* As described earlier, the Department worked with local human services agencies to identify local expenditures on AFDC recipients and JOBS participants that could be eligible for federal matching funds. As an incentive for local human service agencies to identify these expenditures, the Department agreed to provide to the agencies 50% of the amount of federal funding received. The total amount of federal funding obtained from this process was \$3.8 million. However, the counties asked for only \$866,265, approximately 23% of the total federal funding received. The Department is proposing to pay the counties the \$866,265 requested.

*KIDS County Priority Changes Balance.* At the June 23, 1998, s. 13.10 meeting, the Joint Committee on Finance approved the use of \$695,700 in 1998-99 to provide enhancements to the KIDS system requested by counties. The request that was approved by the Committee assumed that an additional \$554,300 would be carried forward to 1999-2000 to continue providing these enhancements.

*1996-97 Cost Allocation Resolution.* Central administrative costs associated with administering the various programs within DWD are shared among those programs based on a cost allocation plan. The method for allocating costs must be approved by the federal DHHS and Department of Labor (DOL). These federal agencies are currently reviewing the cost allocation plan developed by DWD for 1996-97. If the plan is not approved, the Department would have to retroactively change the allocation of costs so that a greater amount of expenditures would be charged to programs that have a lower federal matching rate. As a result, up to \$500,000 in previous expenditures of federal funds may have to be returned to the federal government. The Department is proposing to reserve excess federal funding in the event the cost allocation plan is not approved.

*FFY 1994-96 Food Stamp Reinvestment Plan.* To ensure proper expenditures under the food stamp program, the USDA maintains oversight of the program through a national quality assurance system. A sample of food stamp cases is reviewed monthly to verify the accuracy of eligibility and benefit determinations at the local level. Wisconsin's error rate is established by the USDA each federal fiscal year based on the percentage of dollars incorrectly issued. The USDA sets a national error tolerance level which is the national average of payment errors. To the extent that the state exceeds this national average, fiscal sanctions are incurred.

Wisconsin exceeded the national error rate for FFYs 1994 through 1997. As a result, the USDA has imposed sanctions against Wisconsin of \$2.4 million for 1994 through 1996. However, the USDA has offered a reinvestment plan option as an alternative to payment of the sanctions for these years. Under this plan, the state must commit \$300,000 in non-federal funds in activities designed to reduce the food stamp error rate between October 1, 1997, and March 21, 2000. Under the reinvestment plan, DWD has indicated these funds would be used to support the costs of

programming for and generating monthly reports specifically for Milwaukee County, other CARES programming changes, attendance at workshops, development of a computer system so local agencies may access information related to policy changes on-line, special reports and other assistance to local workers to aid in identifying errors quickly, and new report software and scanner enhancement software. This plan has been approved by the USDA. DWD is proposing to use \$300,000 of the excess federal revenues for this reinvestment option.

*Potential Food Stamp Error Rate Penalties.* The USDA may impose additional sanctions of up to \$2.2 million for Wisconsin's failure to maintain an acceptable food stamp error rate. However, the actual amount is currently unknown. In addition, \$900,000 may be needed in future years as an investment in the food stamp program to reduce the error rate if the error rate does not improve. Of the \$3.1 million needed for these items, the Department proposes to utilize the remaining excess federal revenue of \$2.2 million. If additional funds are needed, the Department would have to submit a subsequent request to the Committee or include these items in the 1999-2001 biennial budget request. However, if the \$2.2 million is more than required to meet these potential sanctions, the Department would have to place these dollars in unallotted reserve, as required under s. 20.002(10) of the statutes, and the funds could only be released with approval of the Committee.

## SUMMARY

There are two components to the Department's request. First, DWD is requesting that the Joint Committee on Finance approve a process, comparable to the one currently practiced by DHFS, that allows the Department to use excess federal revenues generally for federal disallowances, federal sanctions and corrective actions resulting from lawsuits. Excess federal revenues that are not needed for these purposes would lapse to the general fund. DWD would be required to notify DOA annually of the amount of unbudgeted excess federal funding generated prior to the close of the state fiscal year, and any plans for using these funds. After receiving approval from DOA, DWD would be required to provide notification to the Joint Committee on Finance.

The process currently practiced by DHFS provides an incentive to the Department to seek additional federal funding. As noted earlier, in the last six years, \$46.3 million has been received by the state as a result of DHFS's efforts to obtain excess federal funds, most of which has lapsed to the general fund. However, as described earlier, there is no existing statute that provides authority to the Committee to enter into a long-term agreement to allow an agency to implement such a policy regarding the use of excess federal revenues. In addition, the process proposed by DWD is ambiguous as to whether notice to the Committee, or approval by the Committee, would be required for certain types of expenditures. In light of these factors, it may be preferable to address the process for all agencies for expending excess federal revenues in the biennial budget. This would establish a clear statutory procedure for appropriating these funds.

The second component of DWD's request is a description of the current excess federal revenues of \$15.9 million, and proposed expenditures of those revenues. Without authority to

utilize excess federal revenues under the process that was proposed by DWD, the Department may not expend the \$15.9 million amount without approval by the Committee. The Committee, therefore, could approve the Department's expenditures of excess federal revenue as shown in Table 1, which would allow the Department to use the funding they have obtained to meet current and potential obligations. Under this option, any excess federal revenues shown in Table 1 that are not needed for the expenditures identified in the table would be placed in unallotted reserve and could not be released unless approved by the Committee. Although the current statutory provisions regarding excess federal revenues are not clear, this would be consistent with past practice and s. 20.002(10) of the statutes.

Finally, s. 20.002(10) does not specify the process to be used by the Committee to approve proposed expenditures of excess federal revenues. This could be done through a 14-day passive review process similar to that used for s. 16.515 requests.

BL/JS/dls



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-2024/1

ISR: /:.....

WJ

DOA:.....Blaine – Food stamp reinvestment allocation

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

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DO NOT GEN

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**HEALTH AND HUMAN SERVICES** ✓

**PUBLIC ASSISTANCE** ✓

On September 25, 1998, JCF required DWD to allocate \$500,000 of federal moneys to reimburse the federal government for expenditures made in the 1996-97 fiscal year to cover the administrative costs of various DWD programs if the federal department of labor and health and human services did not approve the expenditures.

This bill <sup>to</sup> requires DWD to reallocate these moneys in the 2001-03 fiscal biennium ~~for~~ local food stamp reinvestment activities.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

2 SECTION 9123. Nonstatutory provisions; health and family services. ✓

3 (1) FOOD STAMP REINVESTMENT.

1 (a) In this <sup>Sub</sup> section "cost allocation resolution moneys" means the moneys  
 2 appropriated under section 20.4~~50~~<sup>445</sup> (3) (nL) of the statutes that were allocated on  
 3 September 25, 1998, by the joint committee on finance to reimburse the federal  
 4 government for expenditures that were not approved by the federal departments of  
 5 labor and health and human services in a cost allocation plan that was developed and  
 6 submitted by the department of workforce development in the 1997-98 federal fiscal  
 7 year.

8 (b) From the appropriation under ~~§~~ <sup>section</sup> 20.445 (3) (nL) <sup>of the statutes</sup>, the department of  
 9 workforce development shall reallocate the cost allocation resolution moneys ~~to~~ <sup>to</sup>  
 10 local food stamp reinvestment activities.

11 (END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-2024/1dn

ISR:/:....

WJ

Robert Blaine:

Please review this bill carefully to make sure I have correctly described the moneys that will be reallocated. If you have any questions or comments, please do not hesitate to contact me.

Ivy G. Sager-Rosenthal  
Legislative Attorney  
Phone: (608) 261-4455  
E-mail: [ivy.sager-rosenthal@legis.state.wi.us](mailto:ivy.sager-rosenthal@legis.state.wi.us)

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-2024/1dn  
ISR:wj:rs

January 16, 2001

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Legislative Attorney  
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## Sager-Rosenthal, Ivy

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**From:** Blaine, Robert  
**Sent:** Friday, January 26, 2001 9:44 AM  
**To:** Sager-Rosenthal, Ivy  
**Subject:** Food stamps reinvest

01-2024

Two things which recently came to my attention.

- 1) Line 2 -- It suggests this will fall under health and family services nonstat, not workforce development.
- 2) Jenny was concerned about the wording of (1)(a) -- that a person not reading the draft carefully (or who didn't know the history behind the \$\$ in play) might mis-interpret what we are doing. We were wondering if, when defining "cost allocation resolution moneys" we could emphasize that these were appropriated *as a reserve, in the event* that the federal government did not approve our cost allocation plan (and we had to reimburse them for expenditures we inappropriately charged). The way it is worded now may suggest that we are diverting funds from one activity from another, when the reality is that the funds have been sitting idle for the past three years (because they haven't been needed).

I realize this may seem pretty minor, but it is something we would like to refine in the draft. All we would need to do is clarify that these are reserved funds. Call me if you would like to discuss further.

Robert Blaine

State Budget Office  
Wisconsin Department of Administration  
(608) 266-8219  
[robert.blaine@doa.state.wi.us](mailto:robert.blaine@doa.state.wi.us)



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RMP

DOA:.....Blaine - Food stamp reinvestment allocation

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

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AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**HEALTH AND HUMAN SERVICES**

**PUBLIC ASSISTANCE**

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This bill requires DWD to reallocate these moneys in the 2001-03 fiscal biennium to local food stamp reinvestment activities.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

2

SECTION 91.23. Nonstatutory provisions; health and family services.

Workforce development ✓  
for ...

3

(1) FOOD STAMP REINVESTMENT.



**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-2024/2dn

ISR:/:....

WJ

This "/2" version corrects a technical error in the bill.

Ivy G. Sager-Rosenthal  
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E-mail: [ivy.sager-rosenthal@legis.state.wi.us](mailto:ivy.sager-rosenthal@legis.state.wi.us)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-2024/2dn  
ISR:wlj:ch

January 29, 2001

This "/2" version corrects a technical error in the bill.

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State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-2024/2

ISR:wlj:ch

DOA:.....Blaine – Food stamp reinvestment allocation

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**HEALTH AND HUMAN SERVICES**

**PUBLIC ASSISTANCE**

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

2 SECTION 9158. Nonstatutory provisions; workforce development.

3 (1) FOOD STAMP REINVESTMENT.

