



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #417

### **FSET -- Required Participation by Able-Bodied Adults (Health Services -- FoodShare)**

[LFB 2019-21 Budget Summary: Page 219, #3]

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#### **CURRENT LAW**

Currently, FoodShare recipients in Wisconsin have the option to participate in the FoodShare employment and training (FSET) program, either as a way to meet the 80 hour per month work requirement for able-bodied adults without dependents (ABAWDs), or as a way to expand their career opportunities. The ABAWD work requirement is a federal requirement. No FoodShare recipients are currently required to participate in FSET.

However, with the enactment of provisions in 2017 Wisconsin Act 59 (the 2017-19 budget act) and 2017 Act 264, certain adult FoodShare recipients, including most able-bodied adults with dependent children over the age of six years old, will be required to participate in FSET.

Specifically, beginning October 1, 2019, all able-bodied adult FoodShare recipients, will be required to participate in FSET, with certain exceptions. FSET participation will be required for all able-bodied adults between the ages of 18 and 50, except for able-bodied adults who are employed, pregnant, or determined by the Department of Health Services (DHS) to be medically certified as physically or mentally unfit for employment or exempt from the work requirement as specified in federal law. In addition, DHS is prohibited from requiring participation in FSET for an individual who is: (a) enrolled at least half time in a school, a training program, or an institution of higher education; or (b) the caretaker of a child under the age of six or the caretaker of a dependent who is disabled.

Under this requirement, able-bodied adults, who are not otherwise exempt, must participate in FSET for a minimum of 80 hours per month in order to receive FoodShare benefits. As allowed under federal law, failure to comply with the FSET requirement will result in the non-compliant

individual having their benefits sanctioned for one month for their first offense, three months for their second offense, and six months for their third and subsequent offenses.

## **GOVERNOR**

Modify current law relating to required participation in FSET to specify that DHS must require, to the extent allowed by the federal government, that ABAWDs participate in FSET, except for ABAWDs who are employed, as determined by DHS. Specify that DHS may require able individuals who are 18 to 60 years of age, or a subset of those individuals to the extent allowed by the federal government, who are not participants in a Wisconsin Works employment position to participate in FSET.

## **DISCUSSION POINTS**

1. Currently, income maintenance (IM) workers are required to provide information about the FSET program to ABAWDs who need to meet the work requirement and other FoodShare applicants during the FoodShare application and annual renewal interviews. Further, when a FoodShare member is determined by an IM worker to be an ABAWD who is not meeting the work requirement outside of FSET that member is automatically referred to FSET.

2. DHS contracts with eight tribes and eight vendors in 11 FSET regions across the state to provide FSET services. Currently, the FSET program is voluntary. However, under current law, starting October 1, 2019, DHS must require that able-bodied adults, who are not otherwise exempt, participate in FSET for a minimum of 80 hours per month in order to receive FoodShare benefits. The Governor's budget would repeal this provision but retain FSET as a voluntary program for FoodShare recipients who choose to participate.

3. The FSET program aims to identify the strengths, needs, and preferences of job seekers and offers individualized services to improve job-seeking skills and increase employment opportunities. Services provided under the FSET program include job search activities, education and vocational training, workfare and work experience, self-employment, and job retention services.

4. Table 1 shows information on FSET enrollment for 2015-16 through 2017-18, for ABAWDs and non-ABAWDs. Average monthly enrollment between July, 2018, and March, 2019 (the first nine months of 2018-19) was 8,048 of which, on average, 1,321 were ABAWDs and 6,727 were non-ABAWDs.

**TABLE 1**

**FSET Enrollment 2015-16 to 2017-18**

	2015-16		2016-17		2017-18	
	<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% of Total</u>
<b>Cumulative Unduplicated Enrollment</b>						
ABAWDs	18,638	62.8%	8,618	39.3%	5,932	31.4%
Non-ABAWDs	<u>11,056</u>	<u>37.2</u>	<u>13,333</u>	<u>60.7</u>	<u>12,961</u>	<u>68.6</u>
Total	29,694	100.0%	21,951	100.0%	18,893	100.0%
<b>Average Monthly Enrollment</b>						
ABAWDs	4,454	37.7%	2,048	21.4%	1,310	13.3%
Non-ABAWDs	<u>7,349</u>	<u>62.3</u>	<u>7,512</u>	<u>78.6</u>	<u>8,512</u>	<u>86.7</u>
Total	11,803	100.0%	9,560	100.0%	9,822	100.0%

5. In 2016, the federal Food and Nutrition Services (FNS) issued the results of its best practice study, which entailed a comprehensive review of 160 studies of supplemental nutrition assistance program employment and training programs (SNAP E&T) and other public workforce development programs. FNS concluded that SNAP E&T programs that served individuals who volunteered to participate, rather than mandating participation as condition of eligibility, tended to be more effective. Specifically, FNS noted that states that enrolled a relatively large number of mandatory work registrants in SNAP E&T services were less likely to see an increase in self-sufficiency among SNAP participants.

6. Further, adding additional FSET requirements will result in additional administrative costs. Administrative costs of the FoodShare program and FSET services, are generally funded with 50% federal funds and 50% state funds (GPR), unlike FoodShare benefits, which are funded entirely with federal funds.

7. Additionally, federal law only allows the individual who is not in compliance with the work requirement to be sanctioned. Although children of sanctioned individuals are still eligible to receive FoodShare benefits, the overall household benefit is reduced once a parent or other household member becomes ineligible due to a sanction. Implementing sanctions for noncompliance with the work requirement would decrease the total amount of benefits available for the entire household but would only result in federal savings equal to the sanctioned individual's portion of the total monthly benefit payment. For these reasons, the Committee could approve the Governor's recommendation to repeal the provision [Alternative A1 or B1].

8. On the other hand, the Committee could choose to retain the mandatory FSET participation requirements, since the program may improve FoodShare recipients' job-seeking skills and employment opportunities. The Committee may find that this is especially important for FoodShare recipients who have children and are not just supporting themselves.

9. If the Committee chooses to take no action on the Governor's recommendation, thereby retaining the FSET requirement for able-bodied adults, funding would need to be provided to implement this provision. This paper addresses only the FSET vendor costs associated with

implementing this provision. Positions and funding for administrative functions relating to this provision are addressed in LFB Paper #419.

10. Table 2 shows the assumptions used by DHS in calculating the anticipated monthly enrollment increase as a result of this provision for the Department's agency request submitted in September, 2018.

**TABLE 2**

**DHS Estimates of Able-Bodied Adults Affected by the Mandatory FSET Policy**

Adults (age 19-49) on FoodShare living with school-age children (age 6-18) and no children under age 6	58,288
Subtract adults living with disabilities	-6,840
Subtract adults caring for school-age children living with disabilities	-5,635
Subtract adults caring for adults age 50+ living with disabilities	<u>-2,799</u>
Subtotal of able-bodied adults with school-age dependents	43,014
Non-primary care able-bodied adults (age 19-49) on FoodShare living with young children (age 0-6)	<u>3,067</u>
<b>Able-Bodied Adults Affected by the Mandatory FSET Policy</b>	<b>46,081</b>
Already participating in FSET on a voluntary basis	852
Already working 80 hours or more per month	20,208
Have an exemption to the ABAWD policy beyond work or living with a minor	<u>5,536</u>
<b>Remaining Able-Bodied Adults who May Begin to Participate in FSET</b>	<b>19,485</b>

11. As part of its request, DHS estimated that under the able-bodied FSET requirement monthly FSET enrollment would increase by 13,100 after one year. This estimate is based on the midpoint of the following assumptions: (a) of the 19,485 adults who are not otherwise exempt and may therefore need to begin to participate in FSET as a result of these provisions, 80% would enroll; and (b) of the 46,081 able bodied adults affected by the mandatory FSET policy, approximately 23% would enroll. DHS notes that 13,100 was selected as a midpoint between the 15,600 estimated to participate under method (a) and the 10,600 estimated to participate under method (b).

12. In the first year that the ABAWD work requirement was in place, 11.5% of ABAWDs chose to participate in FSET. DHS indicates that this percentage would likely be higher for the able-bodied adult population since they have children and therefore may find their FoodShare benefits to be of greater value than the ABAWD population.

13. Under the FSET cost-to-continue paper (LFB Paper #415), the Committee has the option to either budget FSET per member per month costs at \$348.86 in 2019-20 and \$356.12 in 2020-21 (under Alternative A1) or \$306.74 in 2019-20 and \$313.18 in 2020-21 (under Alternatives A2a and A2b). The alternatives in this paper should be budgeted based on the same base rate. As such, the alternatives available to the Committee under this paper will vary in cost depending on the decision the Committee makes regarding budgeting for per member per month costs in LFB Paper #415.

14. If the Committee approves per member per month costs of \$348.86 in 2019-20 and \$356.12 in 2020-21, and chooses to accept the Department's enrollment estimates (of 13,100 after one year), \$17,127,200 (\$8,563,600 GPR and \$8,563,600 FED) in 2019-20 and \$54,808,000 (\$27,404,000 GPR and \$27,404,000 FED) in 2020-21 would need to be provided to fund the FSET requirement for able-bodied adults [Alternative A2a].

15. If the Committee approves per member per month costs of \$306.74 in 2019-20 and \$313.18 in 2020-21, and chooses to accept the Department's enrollment estimates (of 13,100 after one year), \$15,059,400 (\$7,529,700 GPR and \$7,529,700 FED) in 2019-20 and \$48,199,400 (\$24,099,700 GPR and \$24,099,700 FED) in 2020-21 would need to be provided to fund the FSET requirement for able-bodied adults [Alternative B2a].

16. As is the case with most major program changes, there is a considerable uncertainty regarding future enrollment as a result of implementing this provision. For this reason, while adopting the Department's enrollment estimates, the Committee could place the money in the Committee's program supplements appropriation and require DHS to seek the release of the funds through the statutory provisions of Wis. Stat. 13.10. Further, the Committee could specify that: (a) DHS may not seek the release of this funding until April 1, 2020, and (b) DHS must report on able-bodied FSET enrollment between October 1, 2019, and March 31, 2020, as part of its justification for seeking the additional funding [Alternative A2b or B2b].

17. On the other hand, an argument could be made that the Department's assumptions regarding enrollment are too high. As evidenced by Table 1, average monthly enrollment for non-ABAWDs who do not have to meet a work requirement to retain FoodShare eligibility was 8,512 in 2017-18. The Committee could choose to assume that average monthly enrollment for this population would double under the FSET participation requirement. This would be equal to approximately 44% of the 19,485 adults who are not otherwise exempt and may therefore need to begin to participate in FSET as a result of these provisions, enrolling in the program.

18. As such, the Committee could choose to adopt a lower enrollment number, thereby reducing the amount of funding necessary to retain the provision.

19. If the Committee assumes that average monthly enrollment will increase by 8,512 after one year, and budgets the program based on per member per month costs of \$348.86 in 2019-20 and \$356.12 in 2020-21, \$11,130,400 (\$5,565,200 GPR and \$5,565,200 FED) in 2019-20 and \$35,613,800 (\$17,806,900 GPR and \$17,806,900 FED) in 2020-21, would need to be provided to fund the FSET requirement for able-bodied adults [Alternative A3].

20. If the Committee assumes that average monthly enrollment will increase by 8,512 after one year, and budgets the program based on per member per month costs of \$306.74 in 2019-20 and \$313.18 in 2020-21, \$9,786,600 (\$4,893,300 GPR and \$4,893,300 FED) in 2019-20 and \$31,319,600 (\$15,659,800 GPR and \$15,659,800 FED) in 2020-21, would need to be provided to fund the FSET requirement for able-bodied adults [Alternative B3].

21. In adopting a lower enrollment estimate, the Committee could be limiting the services available to FSET participants if actual enrollment is higher than estimated. For example, DHS has

found that a ratio of no more than 70 cases per case manager has been more effective than higher caseloads and has therefore been encouraging vendors to maintain this level of case manager staffing. If new enrollment increases above what is estimated, it could be necessary to increase that ratio, thereby reducing the amount of individualized time and attention each FSET participant receives, potentially reducing the effectiveness of the program. However, if caseloads do exceed the estimate, the Department would be able to seek additional resources, if needed, through future legislation or a request to the Committee under s. 13.10.

**ALTERNATIVES**

If the Committee selects Alternative A1 under the FSET cost-to-continue paper (LFB Paper #415), the Committee should select from the alternatives under A. If the Committee selects Alternative A2a or A2b under that paper, the Committee should select from the alternatives under B. This is to ensure consistency across the budgeted per member per month rate for all FSET enrollees.

The alternatives in this paper address only the FSET vendor costs associated with implementing this provision. Positions and funding for the positions necessary to retain and implement this provision are addressed in LFB Paper #419

**A. Alternatives Based on Budgeting Monthly per Enrollee Costs at \$348.86 in 2019-20 and \$356.12 in 2020-21 -- Alternative A1 of Paper #415**

1. Approve the Governor's recommendation to repeal the mandatory FSET requirement for able-bodied adults.
2. Take no action on the Governor's recommended statutory changes, thereby retaining the mandatory FSET requirement for able-bodied adults. Provide \$17,127,200 (\$8,563,600 GPR and \$8,563,600 FED) in 2019-20 and \$54,808,000 (\$27,404,000 GPR and \$27,404,000 FED) in 2020-21 to increase funding for vendor payments, based on an estimated increase in monthly FSET enrollment of 13,100 after one year.
  - a. Provide the funding directly to DHS.

ALT A2a	Change to	
	Base	Bill
GPR	\$35,967,600	\$35,967,600
FED	<u>35,967,600</u>	<u>35,967,600</u>
Total	\$71,935,200	\$71,935,200

- b. Place the GPR funding in the Committee's program supplements appropriation and require DHS to seek the release of the funds through the statutory provisions of Wis. Stat. 13.10. Further, specify that: (a) DHS may not seek the release of this funding until April 1, 2020; and (b) that as part of the request, DHS must report on able-bodied FSET enrollment between October 1, 2019, and March 31, 2020, as part of the agency's justification for seeking the additional funding

ALT A2b	Change to	
	Base	Bill
<b>DHS</b>		
FED	\$35,967,600	\$35,967,600
<b>JCF</b>		
GPR	<u>35,967,600</u>	<u>35,967,600</u>
Total	\$71,935,200	\$71,935,200

3. Take no action on the Governor's recommended statutory changes, thereby retaining the mandatory FSET requirement for able-bodied adults. Provide \$11,130,400 (\$5,565,200 GPR and \$5,565,200 FED) in 2019-20 and \$35,613,800 (\$17,806,900 GPR and \$17,806,900 FED) in 2020-21, to increase funding for vendor payments, based on an estimated increase in monthly FSET enrollment of 8,512 after one year.

ALT A3	Change to	
	Base	Bill
GPR	\$23,372,100	\$23,372,100
FED	<u>23,372,100</u>	<u>23,372,100</u>
Total	\$46,744,200	\$46,744,200

**B. Alternatives Based on Budgeting Monthly per Enrollee Costs at \$306.74 in 2019-20 and \$313.18 in 2020-21 -- Alternatives A2a or A2b of Paper #415**

1. Approve the Governor's recommendation to repeal the mandatory FSET requirement for able-bodied adults.

2. Take no action on the Governor's recommended statutory changes, thereby retaining the mandatory FSET requirement for able-bodied adults. Provide \$15,059,400 (\$7,529,700 GPR and \$7,529,700 FED) in 2019-20 and \$48,199,400 (\$24,099,700 GPR and \$24,099,700 FED) in 2020-21 to increase payments to FSET vendors based on an estimated increase in monthly FSET enrollment of 13,100 after one year.

a. Provide the funding directly to DHS.

ALT B2a	Change to	
	Base	Bill
GPR	\$31,629,400	\$31,629,400
FED	<u>31,629,400</u>	<u>31,629,400</u>
Total	\$63,258,800	\$63,258,800

b. Place the GPR funding in the Committee's program supplements appropriation and require DHS to seek the release of the funds through the statutory provisions of Wis. Stat. 13.10. Further, specify that the Committee may not seek the release of this funding until April 1, 2020, and

(b) as part of the request, DHS must report on able-bodied FSET enrollment between October 1, 2019, and March 31, 2020, as part of its justification for seeking the additional funding

<b>ALT B2b</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
<b>DHS</b>		
FED	\$31,629,400	\$31,629,400
<b>JCF</b>		
GPR	<u>31,629,400</u>	<u>31,629,400</u>
Total	\$63,258,800	\$63,258,800

3. Take no action on the Governor's recommended statutory changes, thereby retaining the mandatory FSET requirement for able-bodied adults. Provide \$9,786,600 (\$4,893,300 GPR and \$4,893,300 FED) in 2019-20 and \$31,319,600 (\$15,659,800 GPR and \$15,659,800 FED) in 2020-21 to increase funding for vendor payments based on an increase in monthly FSET enrollment of 8,512 after one year.

<b>ALT B3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
GPR	\$20,553,100	\$20,553,100
FED	<u>20,553,100</u>	<u>20,553,100</u>
Total	\$41,106,200	\$41,106,200

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