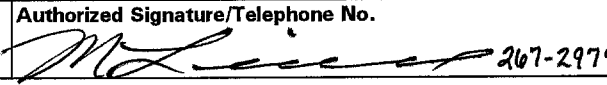


<input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected <input type="checkbox"/> Supplemental	1999 Session LRB or Bill No. -- Adm. Rule No. SB 123 --LRB-1318/1 Amendment No. if Applicable	
FISCAL ESTIMATE DOA-2048 N(R10/94)		
Subject W-2, FINANCIAL ELIGIBILITY		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation <input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation	<input checked="" type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No local government costs		
1. <input checked="" type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
Fund Sources Affected: <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations:	
Assumptions Used in Arriving at Fiscal Estimate Under current law, applicants and participants in the W-2 program may petition the W-2 agency for a review of any denial, interruption, or modification of benefits or services. W-2 agencies are responsible for reviewing the petitions within a dispute resolution process. If an individual is dissatisfied with a W-2 agency's decision, he or she may ask the Department of Workforce Development to review the decision. This bill repeals the W-2 dispute resolution process and restores the Aid to Families with Dependent Children (AFDC) fair hearing process. As under the former AFDC fair hearing process, this bill would require that benefits not be suspended if the hearing is requested by the applicant or participant in a timely fashion. Typically, the AFDC fair hearing process took about four months from the date the client requested a fair hearing until the fair hearing decision was rendered. Using this process in the W-2 program would require the W-2 agency to temporarily restore benefits pending the outcome of the hearing process. If the hearing outcome upheld the W-2 agency and a suspension, denial, or reduction of benefits, the benefits which had been temporarily restored would need to be recovered by the W-2 agency. Because the payment of cash benefits is drawn from the W-2 agency's contract with the department, the temporary restoration of benefits would also be charged against the W-2 agency's contract pending the outcome of a department administered fair hearing process. It is anticipated that recovery of benefits that have been temporarily restored would be only partially successful because the costs must be recovered through reduced future benefit payments if a case is still open, or through income tax intercept if there is an income tax refund available. No reduction in administrative costs is anticipated for W-2 agencies, because the W-2 agency would be responsible for adjusting, restoring, and possibly recovering the benefits paid to participants. The W-2 agency would likely prepare a factual account of its decision process that precipitated the dispute and attend the hearing. (Continued on next page...)		
Long-Range Fiscal Implications		
Agency/Prepared by:(Name & Phone No.) DWD / Dianne Reynolds (Not Available)	Authorized Signature/Telephone No.  267-2979	Date 5/5/99

Assumptions Used in Arriving at Fiscal Estimate (Continued)

In state fiscal year (SFY) 1997, the department incurred nearly \$700,000 in expenses for administration of AFDC fair hearings. Shortly after this period, the fair hearing process was transitioned to the current process under W-2, thus SFY 1997 represents the most reliable predictor of the costs of the proposed fair hearing process under this bill. Although the AFDC caseload declined significantly during this period, there was no corresponding decline in the number of fair hearings conducted. In light of the continued decline in caseload that took place during the first year of W-2 operations, it is assumed that the number of hearings conducted under this bill would be 50% of the number of AFDC fair hearings conducted in SFY 1997. It is estimated that the increased cost for administration of fair hearings under this bill would be \$350,000.

The continuation and restoration of benefits required under this bill will have a significant fiscal impact on W-2 agencies. During SFY 1997 there were 2,930 AFDC related fair hearings. Assuming that there will be 50% of that number of hearings annually under this bill and, further assuming that one-third of the decisions made through the proposed fair hearing process uphold the W-2 agency's original decision and the participant is required to repay the restored benefits, the period of time for which benefits must be repaid is four months, and a 25% collection rate, the cost of unrecovered benefits would be \$825,000. If the W-2 contracts remain fixed priced, with W-2 agencies receiving a capped amount to manage the program, these costs may reduce the amount of funding available for other services, but would not result in an increase in state costs.

FISCAL ESTIMATE WORKSHEET

1999 Session

Detailed Estimate of Annual Fiscal Effect DOA-2047(R10/94)	<input checked="" type="checkbox"/> Original	<input type="checkbox"/> Updated	LRB or Bill No./Adm Rule No. SB 123 / LRB-1318/1	Amendment No.
	<input type="checkbox"/> Corrected	<input type="checkbox"/> Supplemental		

Subject
W-2, FINANCIAL ELIGIBILITY

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal Impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$0	- \$0
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs	\$350,000	- \$0
Local Assistance	\$0	- \$0
Aids to Individuals or Organizations	\$0	- \$0
TOTAL State Costs by Category	\$350,000	- \$0
B. State Costs by Source of Funds		
GPR	\$0	- \$0
FED	\$350,000	- \$0
PRO/PRS	\$0	- \$0
SEG/SEG-S	\$0	- \$0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$0	- \$0
GPR Earned	\$0	- \$0
FED	\$0	- \$0
PRO/PRS	\$0	- \$0
SEG/SEG-S	\$0	- \$0
TOTAL State Revenues:	\$0	- \$0

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
Net Change in Costs:	\$350,000	\$0
Net Change in Revenues:	\$0	\$0

Agency/Prepared by:(Name & Phone No.) DWD / Dianne Reynolds (Not Available)	Authorized Signature/Telephone No. 267-2979	Date 5/5/99
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