

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-1075/1	Introduction Number AB-0263
-----------------------------	------------------------------------

Description
 incentive programs for counties and tribes that identify fraudulent activity in certain public assistance programs, removing inactive FoodShare accounts, expunging unused FoodShare benefits, limiting the number of FoodShare replacement cards, requiring the exercise of rule-making authority, and making appropriations

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes
 - No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
- 1. Increase Costs
 - Permissive Mandatory
- 2. Decrease Costs
 - Permissive Mandatory
- 3. Increase Revenue
 - Permissive Mandatory
- 4. Decrease Revenue
 - Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns
 - Village
 - Cities
 - Counties
 - Others
 - Tribal Nations
 - School Districts
 - WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.435(4)(a); (4)(b); (4)(bm); (4)(L); (4)(n); (4)(nn); and (4)(pa)

Agency/Prepared By	Authorized Signature	Date
DHS/ Thomas Kelly (608) 266-0734	Andy Forsaith (608) 266-7684	6/16/2017

Fiscal Estimate Narratives

DHS 6/16/2017

LRB Number 17-1075/1	Introduction Number AB-0263	Estimate Type Original
Description incentive programs for counties and tribes that identify fraudulent activity in certain public assistance programs, removing inactive FoodShare accounts, expunging unused FoodShare benefits, limiting the number of FoodShare replacement cards, requiring the exercise of rule-making authority, and making appropriations		

Assumptions Used in Arriving at Fiscal Estimate

This bill makes a number of changes to public benefits programs administered by the Department. Specifically, it would: (1) increase state reimbursements for fraud detection and recovery efforts by county and tribal governments, (2) limit the number of replacement FoodShare cards that can be issued annually; and (3) remove unused FoodShare balances from inactive accounts.

The costs associated with this proposal fall into four categories: (1) administrative costs to upgrade and maintain the Client Assistance for Re-employment and Economic Support (CARES) System, (2) increased expenses for the Department's electronic benefit transfer (EBT) contract vendor, (3) increased workload costs for income maintenance (IM) consortia and tribal IM agencies, and (4) increased pass through of benefit overpayment collections by the Department to IM consortia and tribal IM agencies.

The Department estimates that upgrades to the CARES System would result in one-time expenses of \$1,101,000 AF (\$550,500 GPR and \$550,500 FED). This \$1,101,000 breaks down as follows: \$301,000 AF to implemented provisions relating to increased state reimbursements for fraud detection and recovery efforts by county and tribal governments, \$400,000 AF to implement provisions relating to limiting the number of replacement FoodShare cards that can be issued annually, and \$400,000 AF to implement provisions relating to removing unused FoodShare balances from inactive accounts. Ongoing annual costs for the CARES System under this proposal would total \$80,000 AF (\$40,000 GPR and \$40,000 FED).

The Department estimates that its EBT contract vendor would have an additional \$1,500,000 AF (\$750,000 GPR and \$750,000 FED) in one-time reimbursable expenses. \$500,000 AF of this amount is related to limiting the number of replacement FoodShare cards that can be issued annually. The remaining \$1,000,000 AF would be needed to redesign the contract vendor's system to permit the storage of benefits on accounts that have been inactive for six or more months but less than twelve months. The proposal will likely have ongoing EBT vendor costs due to the need to hire additional call center staff; however, it is not possible to estimate those ongoing costs at this time.

IM consortia and tribal IM agencies would see additional workload in the form of questions and concerns relating to the limits on the number of FoodShare cards that can be issued each year as well as questions regarding the status of inactive accounts. This additional workload cost is estimated at \$21,900 AF (\$10,950 GPR and \$10,950 FED).

In calendar year 2016, the Department retained \$1,202,422 in program revenue from FS and MA overpayment collections, after Federal reimbursement and payment of incentives to counties and tribes. The Department uses approximately half of these funds to pay for State collections efforts performed by the Department of Children and Families (DCF). The remaining half is used for a portion of state staff time related to fraud detection/prevention and program integrity. Under the bill, most of these funds would instead be used to provide incentive payments to counties, IM consortia, and tribal governments. These incentive payments would need to be replaced with GPR in order to maintain current activities relating to overpayment collections, fraud detection/prevention, and program integrity.

The Department estimates that the annual increased incentive payments provided under the bill would total \$1,149,000 GPR (\$289,000 for increased incentive payments for client error, \$266,000 for increased incentive payments for fraud detection/prevention, and \$594,000 for the optional fraud incentive program). It is important to note that a county that chooses payment under the optional reward program would forego any incentive payments from collections on the established overpayment. Since the average timeframe to fully recover benefit overpayments is about ten years, the recoveries will eventually offset some of the costs associated with the optional fraud incentive program.

In sum, the Department estimates that one-time implementation costs would total \$2,601,000 AF (\$1,300,500 GPR and \$1,300,500 FED) and that annual ongoing costs would be at minimum \$1,250,900 AF (\$1,199,950 GPR and \$50,950 FED). After ten years of implementation, the annual ongoing costs would be expected to total \$906,900 AF (\$855,950 GPR and \$50,950 FED).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-1075/1	Introduction Number AB-0263	
Description incentive programs for counties and tribes that identify fraudulent activity in certain public assistance programs, removing inactive FoodShare accounts, expunging unused FoodShare benefits, limiting the number of FoodShare replacement cards, requiring the exercise of rule-making authority, and making appropriations		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$1,101,000 AF (\$550,500 GPR and \$550,500 FED) - CARES system changes; \$1,500,000 AF (\$750,000 GPR and \$750,000 FED) - EBT contract vendor system changes		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs	80,000	
Local Assistance	826,900	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$906,900	\$
B. State Costs by Source of Funds		
GPR	855,950	
FED	50,950	
PRO/PRS		
SEG/SEG-S		
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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$906,900	\$
NET CHANGE IN REVENUE	\$	\$

Agency/Prepared By

DHS/ Thomas Kelly (608) 266-0734

Authorized Signature

Andy Forsaith (608) 266-7684

Date

6/16/2017