

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-5217/1	Introduction Number AB-0006 (JR8)
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Description
 payments based on performance for Wisconsin Works and FoodShare employment and training program contractors

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<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"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	s. 20.435(4)(a), (bm), (bp), (n), (np), and (pa)

Agency/Prepared By DHS/ Thomas Kelly (608) 266-0734	Authorized Signature Andy Forsaith (608) 266-7684	Date 1/30/2018
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Fiscal Estimate Narratives

DHS 1/30/2018

LRB Number	17-5217/1	Introduction Number	AB-0006	Estimate Type	Original
		(JR8)			
Description					
payments based on performance for Wisconsin Works and FoodShare employment and training program contractors					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Department of Health Services to create and implement a pay for performance (P4P) system for entities that perform administrative functions for the FoodShare Employment and Training (FSET) program.

The bill specifies the following six criteria for evaluating the performance on FSET contract vendors:

1. The placement of participants of the employment and training program under this subsection into unsubsidized employment;
2. Whether the placement in employment is full time or part time;
3. The job retention rate, as defined by the department, at periodic intervals after placement of former participants in the employment and training program under this subsection;
4. Wages and benefits earned by former participants in the employment and training program under this subsection;
5. Appropriate implementation of the employment and training program under this subsection; and
6. Customer satisfaction.

The bill would first apply to contract that are entered into or renewed on the effective date of the bill. This estimate assumes that the bill would first apply to the contracts for federal fiscal year 2019 (FFY19). Since the P4P payments would be delayed until after the end of the contract year and since FFY19 ends in state fiscal year 2020, these costs would be borne in the 2019-21 state budget. If this bill is enacted, the cost for the P4P system would need to be included in the Department's cost-to-continue budget request. Since the bill also specifies that the Department must ensure that the payments under the system do not affect the moneys available for supportive services for participants in the FSET program and since the program only reimburses vendors for supportive services for program participants, these costs would be above and beyond current appropriations.

Generally, FSET expenditures are eligible for a 50% federal match; however, based on the Food and Nutrition Service's (FNS) Employment and Training Toolkit as well as further guidance to the Department from FNS, reimbursements for a P4P system are eligible for a 50% reimbursement only if they are for placement of participants into employment. As a result, payments related to the other criteria specified in the bill will require 100% GPR funding. If these criteria were given equal weight, the P4P awards would be eligible for an 8.33% federal match. For this reason, this estimate assumes that the Department would weigh the first criterion as contributing 50% to each vendor's P4P score. This would result in the system being eligible for a 25% federal match while the remaining 75% would be paid with GPR.

Similar P4P systems utilized by the Department make awards of up to 5% of total contract costs. While vendors may not achieve the performance levels set by the Department, the Department would require enough funding to ensure that full awards will be available if vendors earn them.

The costs of the FSET vendor contracts in FFY18 are estimated at \$38,055,300 AF. Five percent of this amount is \$1,902,800 AF (\$1,427,100 GPR and \$475,700 FED). If JR8 SS AB 2 and JR8 SS SB 2 were enacted with new requirements for able-bodied adults with school-age dependents, the FSET vendor contracts would increase by an estimated \$49.9 million AF, and there would be an additional \$2,396,500 AF (\$1,797,400 GPR and \$599,100 FED) in annual ongoing costs for P4P awards. In addition, JR8 SS AB 1 and JR8 SS SB 1 require the state to align FSET policy with the maximum number of hours that could be required under the able-bodied adult without dependents (ABAWD) policy under federal law. If federal law were increased to require 30 hours of participation per week rather than the current 20, the FSET vendor contracts would increase by \$23.4 million, and there would be an additional \$1,169,300 AF (\$877,000 GPR and \$292,300 FED) in annual ongoing costs for P4P awards. In sum, the cost of 5% awards if JR8 SS

AB/SB 1 and JR8 SS AB/SB 2 were enacted on top of the current program would be \$5,468,600 AF (\$4,101,500 GPR and \$1,367,100 FED).

The Department would require additional staff resources to track vendor performance with these metrics and allocate P4P awards as appropriate. The Department would require a total of 1.0 FTE position which would actually be split into two 0.5 positions. One would be a budget and policy analyst-advanced (BPA), while the other would be a program and policy analyst-advanced (PPA). This estimate assumes that the blended hourly rate between these two positions would be \$31.66. The annual cost for these positions, including a fringe rate of 42.75% and a supplies and services rate of 3.00%, would be \$96,000 AF (\$48,000 GPR and \$48,000 FED). These positions would need to be in place by the beginning of FFY19 (October 1, 2018).

Finally, several of the evaluation criteria included in this proposal are not currently tracked by the Department or FSET contract vendors. FSET vendors would be required to collect more information about participants in the FSET program, the Client Assistance for Reemployment and Economic Support (CARES) system would need to be upgraded, and the Department would need to verify employment status for former FSET participants with the Department of Revenue (DOR) through payroll tax collection data. The annual ongoing cost for FSET vendors is estimated at \$1,000,000 AF (\$500,000 GPR and \$500,000 FED). The implementation cost for CARES is estimated at \$630,000 AF (\$315,000 GPR and \$315,000 FED). The implementation cost for a data exchange with DOR is estimated at \$600,000 AF (\$300,000 GPR and \$300,000 FED). The annual ongoing cost for a data exchange with DOR is estimated at \$100,000 AF (\$50,000 GPR and \$50,000 FED).

The one-time implementation costs associated with this proposal are estimated at \$1,230,000 AF (\$615,000 GPR and \$615,000 FED).

Long-Range Fiscal Implications

The annual ongoing costs associated with this proposal in conjunction with JR8 SS AB/SB 1 and JR8 SS AB/SB 2 are estimated at \$6,664,600 AF (\$4,699,500 GPR and \$1,965,100 FED).

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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 Corrected
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LRB Number 17-5217/1	Introduction Number AB-0006 (JR8)	
Description payments based on performance for Wisconsin Works and FoodShare employment and training program contractors		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The one-time implementation costs associated with this proposal are estimated at \$1,230,000 AF (\$615,000 GPR and \$615,000 FED).		
II. Annualized Costs:		Annualized Fiscal Impact on funds from:
		Increased Costs Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$96,000	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs	100,000	
Local Assistance		
Aids to Individuals or Organizations	6,468,600	
TOTAL State Costs by Category	\$6,664,600	\$
B. State Costs by Source of Funds		
GPR	4,699,500	
FED	1,965,100	
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	\$6,664,600	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
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