



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #407

Transfer FoodShare Employment and Training Program (DHFS -- Medical Assistance -- Administration and FoodShare, DWD -- Departmentwide)

Bill Section

[LFB 2007-09 Budget Summary: Page 297, #5 (part) and Page 598, #5]

CURRENT LAW

Federal law generally requires individuals participating in the food stamp program (called FoodShare in Wisconsin) to participate in the FoodShare employment and training (FSET) program if the individual is physically and mentally fit, over the age of 16, and under the age of 60. Under the FSET program, an individual may be required to participate in job search, workfare programs, employment experience, and other educational programs to improve basic skills and employability.

State law requires the Department of Health and Family Services (DHFS) to contract with the Department of Workforce Development (DWD) to administer the FSET program for FoodShare recipients, and authorizes DWD to contract with Wisconsin Works (W-2) agencies to administer the program at the local level. DHFS provides \$8,112,600 annually (\$3,755,200 GPR and \$4,357,400 FED) to DWD to administer FSET. The GPR and FED funds which support this program are initially budgeted in DHFS and then transferred to DWD as "program revenue-service (PR-S)" funds.

For purposes of worker's compensation coverage, W-2 agencies are the employers of FSET participants, and participants who are provided worker's compensation coverage by DHFS or W-2 agencies cannot make a claim or maintain an action in tort against the employer who provided the employment and training from which the claim arose if the participant makes a claim for worker's compensation.

GOVERNOR

Transfer the FSET program from DWD to DHFS by eliminating the requirement that DHFS contract with DWD to administer the program. Instead, require DHFS to administer FSET and authorize DHFS to contract with county departments of human/social services, tribal governing bodies, or W-2 agencies to carry out the administrative functions. The bill would also authorize the county departments and tribal governing bodies to subcontract with W-2 agencies or other providers to administer the FSET program.

Expand the worker's compensation provisions to include "other providers" who contract with DHFS, a county department, or a tribal governing body to administer FSET. As a result, these "other providers" would be considered employers of FSET participants for purposes of worker's compensation coverage, and participants who are provided worker's compensation coverage by these other providers could not make a tort claim against them if a claim for worker's compensation was already made.

The transfer would result in a net position reduction of 0.71 positions for the state administration of the FSET program. The bill would reduce positions in DWD by 1.71 PR positions, and increase positions in DHFS by 1.0 FED position, beginning in 2007-08.

Instead of transferring funds to DWD, DHFS would retain funding to administer FSET. Although overall funding for the FSET program would not change, funding in DWD would be reduced by \$8,225,600 PR annually. In addition, the bill would transfer funding from supplies and services (\$39,300 annually) within DHFS, which DHFS currently uses to support the position in DWD, to instead fund salary and fringe benefits costs for the position in DHFS.

[A provision in the bill to make the FSET program voluntary is discussed in a separate paper.]

DISCUSSION POINTS

1. Although not included in the bill, it was the Governor's intent to specify that the 1.0 classified position, and the incumbent employee or employees holding this position in DWD, be transferred to DHFS, that the transferred employees would have the same rights and status in DHFS as they enjoyed in DWD, and that no employee transferred who has attained permanent status would have to serve a probationary period. The administration has requested these modifications.

2. Under current law, DHFS administers FoodShare and receives federal funding for both FoodShare and FSET. DHFS contracts with DWD to administer FSET, but provides oversight and approval of policy changes and enhancements, submits all federal reports and waivers, and maintains the FoodShare database, which includes FoodShare eligibility and benefits data, as well as FSET data. DWD, in turn, contracts with local W-2 agencies to administer the FSET program at the local level.

3. DHFS provides \$8,112,600 annually (\$3,755,200 GPR and \$4,357,400 FED) to DWD for local administration of the FSET program. DWD includes this funding for the FSET program in the local W-2 agency contracts. W-2 agencies use this funding for services to FSET participants. In addition, DHFS provides \$205,000 to DWD to support state administration of the FSET program, including funding for 1.71 positions.

4. The bill would delete 1.71 positions from DWD to reflect the transfer of the FSET program to DHFS. However, the bill would reduce funding in DWD by \$113,000 annually, rather than the \$205,000 annually that DHFS provides to DWD. The bill could be modified to reduce an additional \$92,000 PR annually, for a total reduction in DWD for state administration of the FSET program of \$205,000 PR annually to reflect the transfer of the FSET program from DWD to DHFS.

5. Instead of transferring \$205,000 to DWD for state administration of the FSET program, DHFS would retain the funding. It could be argued that with 1.0 position, rather than 1.71, DHFS would not need \$205,000 for state administration of the FSET program. However, what DHFS does not use for state administration may be used for services for FSET participants. Therefore, DHFS would continue to use the full \$205,000.

6. DWD contracts with W-2 agencies to administer the W-2 program at the local level. The W-2 program assigns participants to either unsubsidized employment or one of three types of subsidized employment (trial jobs, community services jobs, or transitional placements). As part of a subsidized employment placement or as part of case management services for an unsubsidized employment placement, participants may receive employment, education, and training services to assist in finding unsubsidized employment.

7. Through the W-2 agency contracts, FSET participants receive the same employment, education, and training services that W-2 participants receive. FSET is viewed as a work program, similar to the W-2 program, and maintains that focus established in 1996, when W-2 replaced aid to families with dependent children (AFDC). The state mandates 30 hours of FSET participation per week, and non-participation is sanctioned, which could result in the loss of FoodShare benefits for up to six months. However, federal guidelines require 20 hours of FSET participation per week, and 10% of work registrants have to be fully engaged in order to receive federal funding. FSET participants are sanctioned based on the state program requirements.

8. DHFS views one of the goals of the FoodShare program to increase benefits and participation. FoodShare is an entitlement for those that meet the eligibility requirements and is primarily a health and nutrition program. It may be more appropriate for DHFS to administer the FSET program, since the overall FoodShare program is a health program.

9. Transferring the FSET program to DHFS could streamline state administration. Currently, both DWD and DHFS must collaborate to change policy, update the computer system, approve FSET providers, submit federal waivers, and enhance and update the FSET plans. By transferring the FSET program to DHFS, it could reduce time and effort to make any changes, enhancements, or updates with only one agency making the decisions, especially if the two agencies

have differing views on the goals of the FSET program.

10. In addition, the proposal could provide more flexibility in administering the FSET program at the local level. The bill would allow DHFS to contract with county departments, tribal governing bodies, or W-2 agencies. County departments and tribal governing bodies could also subcontract with W-2 agencies. If DHFS contracts with county departments, counties could then choose whether to use the W-2 provider or use in-house services, depending on local budgets and current work program structure. More options for counties could reduce costs and duplicative services.

11. However, more flexibility in administering FSET at the local level could still be achieved with DWD administering the FSET program. The Committee could change current law to authorize DWD to subcontract with a county department, tribal governing body, or another provider, in addition to W-2 agencies under current law, to administer FSET. If DWD contracted with county departments, counties could then choose whether to use the W-2 provider or use in-house services.

12. DWD indicates that if counties choose to use in-house services, it would be likely that some experienced W-2 agency staff could be hired by the county to provide the same programming done while employed with the W-2 agency. DWD suggests that there may be a fairly seamless transition in FSET services following the transfer from DWD to DHFS.

13. Finally, DHFS indicates that it has an established structure for the FSET program and could absorb the additional administrative duties at the state level such that 1.0 additional position, rather than the 1.71 positions that would be reduced in DWD, would be needed. As noted above, DHFS currently provides oversight, submits reports and waivers, and maintains the FoodShare database. As a result, the transfer of the FSET program would result in a net reduction of 0.71 position.

14. On the other hand, the structure for the employment and training activities for the FSET program currently exists in the W-2 agencies, and FSET is viewed as a work program. The transfer of the FSET program could be viewed as changing the focus from work to maximizing federal dollars for FoodShare benefits.

15. The transfer would remove \$8.1 million annually from the W-2 agency contracts. Under the current contracts (which cover calendar years 2006 through 2009), W-2 is administered at the local level as follows: (a) 45 counties are served by county human/social services agencies; (b) 26 counties outside of Milwaukee County are served by non-county agencies; and (c) four non-county agencies cover five regions in Milwaukee County.

16. If DHFS contracts with county departments to administer FSET at the local level there could be little effect on the 46 counties that have their own departments administer W-2. These counties could continue to administer FSET with payment from DHFS, rather than DWD, or could subcontract for FSET activities. However, for the remaining W-2 agencies, the counties

could choose to administer the FSET program through their county departments or could subcontract with another provider. As a result, the private W-2 agencies that serve the remaining 26 counties could lose FSET funds. These agencies would also no longer have to serve the FSET caseload.

17. The 2006-2009 W-2 agency contracts have estimated funds allocated through December 31, 2007. Services and programming provided by W-2 agencies are based, in part, on the funding provided. DWD indicates that some W-2 agencies, therefore, may be concerned about the timing of the transfer of FSET. DWD anticipates that DHFS would not implement any contract changes until January 1, 2008, to allow for the closeout for the current year allocations of the 2006-2009 W-2/FSET contracts. The Committee could make the transfer of the FSET program effective January 1, 2008, to limit the disruption to the current 2006-2009 W-2 agency contracts. As a result, funding of \$4,158,800 (\$4,056,300 for local administration through the W-2 agency contracts and \$102,500 for state administration) would be transferred to DWD from DHFS to administer the FSET program during the first six months of 2007-08.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to transfer the FSET program from DWD to DHFS with modifications to specify that 1.0 position would be transferred from DWD to DHFS and would be afforded the standard protections usually afforded to state employees in this sort of transfer and to reduce funding by an additional \$92,000 PR annually to reflect the actual amount transferred to DWD from DHFS for state administration of the FSET program.

ALT 1 DWD	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	-\$184,000	0.00	-\$16,635,200	- 1.71

ALT 1 DHFS	Change to Bill	Change to Base
	Positions	Positions
FED	0.00	1.00

2. Delete the Governor's recommendation and, instead, modify current law to authorize DWD to subcontract with a county department, tribal governing body, or another provider in addition to W-2 agencies under current law, to administer FSET.

ALT 2 DWD	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	\$16,451,200	1.71	\$0	0.00

ALT 2 DHFS	Change to Bill		Change to Base	
	Positions		Positions	
FED	- 1.00		0.00	

3. Modify the Governor's recommendation to transfer the FSET program from DWD to DHFS beginning January 1, 2008. Specify that 1.0 position would be transferred from DWD to DHFS and would be afforded the standard protections usually afforded to state employees in this sort of transfer. Compared to the bill, provide funding of \$4,158,800 PR in 2007-08 to reflect that DWD would continue to administer the FSET program for the first six months of 2007-08 to complete calendar year 2007 of the 2006-2009 W-2 agency contracts. This alternative would reduce funding by an additional \$46,000 in 2007-08 and \$92,000 in 2008-09 to reflect the actual amount transferred to DWD from DHFS for state administration of the FSET program.

ALT 3 DWD	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	\$4,158,800	0.00	-\$12,476,400	- 1.71

ALT 3 DHFS	Change to Bill		Change to Base	
	Positions		Positions	
FED	0.00		1.00	

4. Delete provision.

ALT 4 DWD	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	\$16,451,200	1.71	\$0	0.00

ALT 4 DHFS	Change to Bill		Change to Base	
	Positions		Positions	
FED	- 1.00		0.00	

Prepared by: Kim Swissdorf