



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #214

### **State Administration of Wisconsin Works and Other TANF-Related Programs (Children and Families -- Economic Support and Child Care)**

[LFB 2015-17 Budget Summary: Page 109, #15]

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#### **CURRENT LAW**

##### **Client Assistance for Reemployment and Economic Support System**

Wisconsin Works (W-2) is administered at the local level by private agencies that enter into contracts with the Department of Children and Families (DCF). Applicant data is stored in the client assistance for reemployment and economic support (CARES) system. CARES is the state's information system that supports public assistance programs, including W-2, FoodShare, child care, medical assistance, and the caretaker supplement. Both DCF and the Department of Health Services (DHS) utilize the CARES computer system for their various programs. Each agency is allocated its share of the CARES costs.

##### **Income Eligibility and Verification System**

The Social Security Act and regulations under the federal temporary assistance for needy families (TANF) program require W-2 agencies to verify the reasonableness of wage and other information provided by persons applying for W-2 and child care through the income eligibility and verification system (IEVS). IEVS is an automated computer system mandated by federal law that is used to match information among government databases.

DCF uses CARES to verify the accuracy of financial information provided by applicants for use in making eligibility determinations for federally funded assistance programs. DCF investigates whether applicants receive benefits they are not entitled to receive. Information verified using IEVS includes social security numbers and supplemental security income payments from the U.S. Social Security Administration, state wage and unemployment compensation information collected by the Department of Workforce Development (DWD),

unearned income from the Internal Revenue Service (IRS), and immigration status from the Immigration and Naturalization Service. A discrepancy in such data may result in the loss of financial eligibility under W-2, a claim for overpayment, or both.

W-2 agencies are required to investigate and reconcile discrepant information and record all findings and benefit savings in CARES. With the exception of state wage and unemployment compensation information, IEVS data matches are automatically updated in CARES. For state wage and unemployment compensation information, W-2 agencies must use CARES to review case information and identify data matches, determine if further verification is required, and update the system with any new information or actions taken in response to the IEVS match (such as a reduction in benefits).

Federal regulations require states to verify and reconcile discrepancies on the IEVS match reports within 45 days. If action cannot be completed within 45 days due to the non-receipt of third-party verification, then action on such discrepancies (but no more than 20% of the overall total) may be delayed beyond the 45 days and up to 90 days in total. States may be penalized under the Social Security Act and TANF regulations for not timely performing IEVS matching.

### **Work Participation Rates**

Federal law requires that work-eligible TANF recipients engage in work once the state determines that the individual is ready, or after 24 months of receiving assistance, whichever is earlier. States are required to achieve two minimum work participation rates: an overall rate and a two-parent rate. The overall work participation rate requires that 50% of all families receiving TANF assistance participate in work activities during the fiscal year. The two-parent work participation rate requires that 90% of two-parent families receiving TANF assistance during the fiscal year participate in work activities.

Failure to comply with the one or both minimum work participation rates may result in a penalty which reduces the TANF block grant by 5% to 21%, depending on how many years the state fails to meet the requirements and the degree of non-compliance. The state did not reach the target work participation rates in federal fiscal years (FFY) 2012 and 2013. As a result, the state may be subject to penalties in the future (federal regulators have not yet reviewed the state's performance for FFY 2012 and 2013). Before any penalties are imposed, the state has the opportunity to claim reasonable cause and have the penalty forgiven. Further, the state may avoid a penalty by achieving compliance under a corrective compliance plan approved by the federal government.

### **GOVERNOR**

Provide \$1,835,000 FED in 2015-16 and \$1,896,100 FED in 2016-17 in TANF funds for modernization of the work programs subsystem within the CARES information technology system. Such upgrades would improve efficiency and case management practices in the W-2 program.

State administration of TANF-related programs (other than Wisconsin Shares) under the bill would total \$14,834,100 in 2015-16 and \$14,967,700 in 2016-17.

## **DISCUSSION POINTS**

### **CARES Upgrade**

1. The CARES work programs subsystem was developed in the early 1990s, before the aid to families with dependent children (AFDC) program was replaced by the TANF block grant. The work programs subsystem was designed for the job opportunities and basic skills (JOBS) program, which was a state-administered employment and training program for parents receiving AFDC. This subsystem was later updated to comply with state and federal work requirements for TANF.

2. The CARES work programs subsystem currently operates with COBOL-based mainframe technology that is inefficient, hard to maintain, and more difficult to use than other CARES programs that have been modernized to a web-based, service-oriented technology and architecture. The work programs subsystem uses “black screens” requiring text commands to navigate from screen to screen, as well as the manual entry of information. DCF indicates that with the mainframe, response time is slow and inefficient, reducing staff productivity and impacting the quality of interactions between participants and case managers.

3. DCF indicates that the process to gather and record assessment information needs to be better in order to improve how W-2 case management decisions are made and to provide the data needed to guide future decisions about program design.

4. All other CARES programs have converted to a web-based technology, such as YoungStar and child care statewide administration in DCF and all programs administered by DHS. According to DCF, this web-based technology is more efficient and easier to use, especially for younger staff who are not familiar with the COBOL-based mainframe.

5. Because other programs and departments have already migrated to web-based systems, more and more of the CARES costs will be shouldered by DCF’s W-2 program. Older mainframe systems run the risk of higher maintenance costs due to shortages of programmers with the necessary programming skill sets. Thus, upgrading to a web-based system could potentially lower future costs associated with maintenance and mainframe costs.

6. Furthermore, DCF indicates that modernizing CARES system could also assist efforts to improve the work participation rates in the W-2 program. Improvements in data tracking could assist in managing the TANF caseload and identify problems which contribute to low participation rates.

7. However, DCF indicates that the CARES system does not meet the federal standards for tracking individuals’ work participation and cannot account for the complexity of the different types of time limits and policies in state and federal law. The existing automated employment and

benefit system cannot support the program advancements that are needed without significant modernization.

8. Because the CARES upgrade could reduce long-term maintenance costs, improve staff efficiency, and assist efforts to comply with federal work participation requirements, the Committee could decide to approve the Governor's recommendation (Alternative 1). DCF indicates that it would work with staff from Department of Administration's Bureau of Information Technology Services (BITS) to determine whether the CARES upgrade would utilize state staff, contracted staff, or a combination of both.

9. On the other hand, DCF indicates that the existing mainframe work programs subsystem continues to function and would operate through the next biennium. Therefore, the Committee could decide that it is not necessary to provide funding to upgrade CARES (Alternative 3). All costs of the CARES upgrade would be avoided during the biennium. Alternatively, the Committee could choose to delay the CARES upgrade by one year, thereby reducing expenditures in the current biennium (Alternative 2).

### **IEVS Penalties**

10. The Legislative Audit Bureau determined in its 2004 single audit report that Wisconsin failed to meet IEVS requirements for the TANF program. DWD, which administered TANF at the time, was notified that the state was subject to a one-time penalty which would reduce available funding under the TANF block grant by \$4,730,300.

11. After the state's dispute of the penalty was denied, Wisconsin submitted an approved corrective compliance plan under which no penalty would be imposed if Wisconsin corrected the IEVS violation on or before September 30, 2007.

12. Despite the corrective compliance plan, the Legislative Audit Bureau's 2009 single audit report identified that Wisconsin was not properly conducting IEVS data matching of unearned income with the IRS. Further, counties and W-2 agencies did not timely resolve discrepancies identified by data matches of wage information and unemployment insurance from DWD. As a result, the penalty was imposed on the TANF block grant for federal fiscal year 2015.

13. An additional penalty of \$4,763,000 may be imposed unless the state complies with a new, approved corrective action plan on or before April 30, 2016.

14. As part of the corrective compliance plan, DCF plans to correct data matching issues. The plan also calls for DCF to utilize additional staff to follow up with discrepancies identified by data matching.

15. According to the administration, DCF may reallocate positions within current staffing levels to perform the necessary tasks under the corrective compliance plan. The Committee could therefore decide to approve the Governor's recommendation without providing additional funding for increased staffing (Alternative 4).

16. However, additional positions to implement the corrective compliance plan could help avoid additional IEVS penalties. In its agency request, DCF requested funding of \$246,100 in 2015-16 and \$328,100 in 2016-17 to support 4.0 positions to implement the IEVS corrective action plan. In its first quarter 2015 report to the Committee on the IEVS corrective compliance plan, DCF indicated that denial of these positions will require DCF to modify the corrective compliance plan for resolving discrepancies in unemployment compensation and state wage information. DCF stated in its report that it is now reviewing other options that could lead to compliance by December, 2016.

17. The Committee could provide additional funding for 4.0 positions to implement the IEVS corrective action plan (Alternative 5).

**ALTERNATIVES**

**A. CARES Upgrade**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation for funding to upgrade the CARES system by delaying implementation of the project until 2016-17.

<b>ALT 2</b>	<b>Change to Bill</b>
FED	- \$1,896,100

3. Deny the Governor's recommendation for funding to upgrade the CARES system.

<b>ALT 3</b>	<b>Change to Bill</b>
FED	- \$3,731,100

**B. IEVS**

4. Approve the Governor's recommendation. No additional staffing would be provided to implement the IEVS corrective compliance plan.

5. Modify the Governor's recommendation to provide 4.0 positions and \$246,100 in 2015-16 and \$328,100 in 2016-17 to assist in implementing the IEVS corrective compliance plan.

<b>ALT 5</b>	<b>Change to Bill</b>	
	<b>Funding</b>	<b>Positions</b>
FED	\$574,200	4.00

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