



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #345

FoodShare Employment and Training Program Cost-to-Continue (Health Services -- FoodShare)

[LFB 2017-19 Budget Summary: Page 223, #1]

CURRENT LAW

FoodShare is Wisconsin's name for the federal supplemental nutrition assistance program (SNAP). The program provides federally-funded benefits to individuals and families with household income under 200% of the federal poverty level to purchase food from participating retailers. SNAP is administered on the federal level by the Food and Nutrition Service (FNS) in the U.S. Department of Agriculture (USDA) and on the state level by the Department of Health Services (DHS).

Federal law limits SNAP eligibility to three months in a three-year period for non-exempt able-bodied adults without dependents (ABAWDs) who are not working or participating in employment and training programs for at least 80 hours per month. The FoodShare Employment and Training (FSET) program offers one way FoodShare recipients, who are non-exempt ABAWDs, can fulfill the work requirement enacted as part of 2013 Wisconsin Act 20 in order to remain eligible for FoodShare benefits.

GOVERNOR

Increase funding for contracted FSET vendor services by \$2,843,500 GPR in 2017-18 and \$8,854,100 GPR in 2018-19 to: (a) reflect estimates of the cost to fund FSET vendor contracts, in the 2017-19 biennium (\$1,121,300 GPR in 2017-18 and \$7,084,300 GPR in 2018-19); and (b) support pay-for-performance incentive payments to encourage FSET vendors to meet employment and other performance measures (\$1,722,200 GPR in 2017-18 and \$1,769,800 GPR in 2018-19).

Although the GPR funding change in the bill is partially due to reestimates of the amount of federal funding that will be available to support services in the 2017-19 biennium, the bill

does not adjust the federal appropriation that supports FSET vendor services. Based on the administration's funding assumptions, estimates of federal funding to support vendor contracts should be reduced by \$10,077,700 FED in 2017-18 and \$9,098,700 FED in 2018-19.

DISCUSSION POINTS

Background

1. Federal law requires non-exempt ABAWDs to meet work requirements in order to remain eligible for SNAP after exhausting three months of time-limited benefits in a 36-month period. An ABAWD is any individual who is: (a) age 18 to 49; (b) able to work; (c) not residing in a household with a child under age 18, regardless of the relationship to the child; and (d) not pregnant.

2. ABAWDs are exempt from meeting the work requirements if they are: (a) determined unfit for employment due to receipt of temporary or permanent disability benefits, mental or physical inability to work, or verified as unable to work by a statement from a health care professional or social worker; (b) the primary caregiver for a child under age six or an incapacitated person; (c) receiving unemployment compensation, or have applied for unemployment compensation and are complying with unemployment compensation work requirements; (d) participating in an alcohol or other drug abuse treatment or rehabilitation program; (e) enrolled as a student of higher education and meeting the student eligibility requirements; or (f) receiving transitional FoodShare benefits.

3. Under the SNAP work requirements, non-exempt ABAWDs are limited to three months of SNAP benefits (known as time-limited benefits) unless they work an average of 80 hours per month, participate in and comply with the requirements of an employment and training program for 80 hours per month, or a combination of the two for a total of 80 hours per month. For the purposes of this policy, "work" includes working in exchange for money, goods, or services, completing volunteer work, or self-employment. Qualifying employment and training programs include Wisconsin Works (W-2) or Workforce Innovation and Opportunity Act (WIOA) programs, or other approved employment and training programs, such as FSET.

4. Under federal law, the state is required to offer a SNAP employment and training program to SNAP enrollees who are subject to work requirements. However, the state is not required to provide FSET services to FoodShare recipients who are not subject to work requirements. In Wisconsin, this program is known as FSET. ABAWDs subject to the work requirements may participate in the FSET program as one way to meet the requirements and maintain FoodShare eligibility beyond three months of time-limited benefits.

5. The FSET program is offered statewide. The program is administered on a regional basis based on workforce development area boundaries, with eleven FSET regions and eight tribes administering and delivering FSET services within these regions of the state. Many FoodShare administrative functions are combined with those for other public assistance programs including Medicaid. Ten of the FSET regions are served by multi-county income maintenance (IM) consortia (consisting of county staff) and tribes. The one exception is Milwaukee County, which is not

included in a multi-county consortium, where DHS staff provides IM services through the Milwaukee Enrollment Services (MiLES). MiLES and the IM consortia perform program enrollment and caseload management functions, provide electronic benefit card services to enrollees, and ensure compliance with federal requirements.

6. When an IM worker conducts an eligibility determination or renewal for FoodShare benefits, he or she must explain the FSET program, including the services that may be available to the FoodShare recipient, regardless of whether the applicant or recipient needs to meet the work requirement. Currently, IM workers refer nearly all ABAWDs to FSET, including all ABAWDs who need to meet the work requirement and those who are exempt from meeting the work requirement. In addition, FoodShare recipients who are not ABAWDs may request that the IM agency refer him or her to FSET for voluntary participation. Once an individual is referred to FSET, the FSET agency will contact the individual to schedule an initial appointment.

7. During the initial FSET appointment, the participant is provided with detailed program information and assessed for strengths, needs, and preferences related to employment. Following the assessment, the FSET worker develops an employment plan with the participant, which will determine the appropriate FSET activities and related supportive services to which the individual will be assigned. The employment plan must include a clear description of the individual's short-term and long-term employment goals, and the necessary supportive services that will be provided to achieve the intended goals. Assessment results may also reveal the need for a referral to another service provider to address participant needs that are outside the scope of FSET. This plan must be developed within the first three weeks of enrollment in FSET and updated at least every three months for the duration of the participant's time in the program. The FSET worker is also responsible for monitoring whether the individual complies with his or her employment plans, and notifies the IM agency of non-compliance.

8. Services provided by the FSET vendors include the following: (a) job search services to equip participants with the tools and skills needed for effective job search; (b) work experience to expose participants to different kinds of employment to clarify job interests and career goals; (c) education, which could include obtaining a General Educational Development (GED), English as a second language, adult basic education, vocational literacy, and short-term technical training, which may include enrollment in a technical or trades program if there is a direct link to employment that is in demand; (d) workfare to provide participants with the opportunity to learn new job skills and establish work references at a nonprofit work site; (e) self-employment support such as technical assistance to develop realistic business plans and sound financial and marketing plans, as well as assistance in obtaining financial support from grants, financial institutions, or other service providers; and (f) job retention, which may be provided for up to 90 days for employment that is obtained resulting from FSET participation, and includes participant reimbursement for initial expenses like transportation, uniforms, and childcare.

Enrollment

9. On average, 24% of non-exempt ABAWDs referred to FSET have enrolled since the ABAWD work requirement was implemented statewide in April, 2015. Table 1 shows the number of new non-exempt ABAWD FSET referrals and enrollments by quarter. Year 1 is from April,

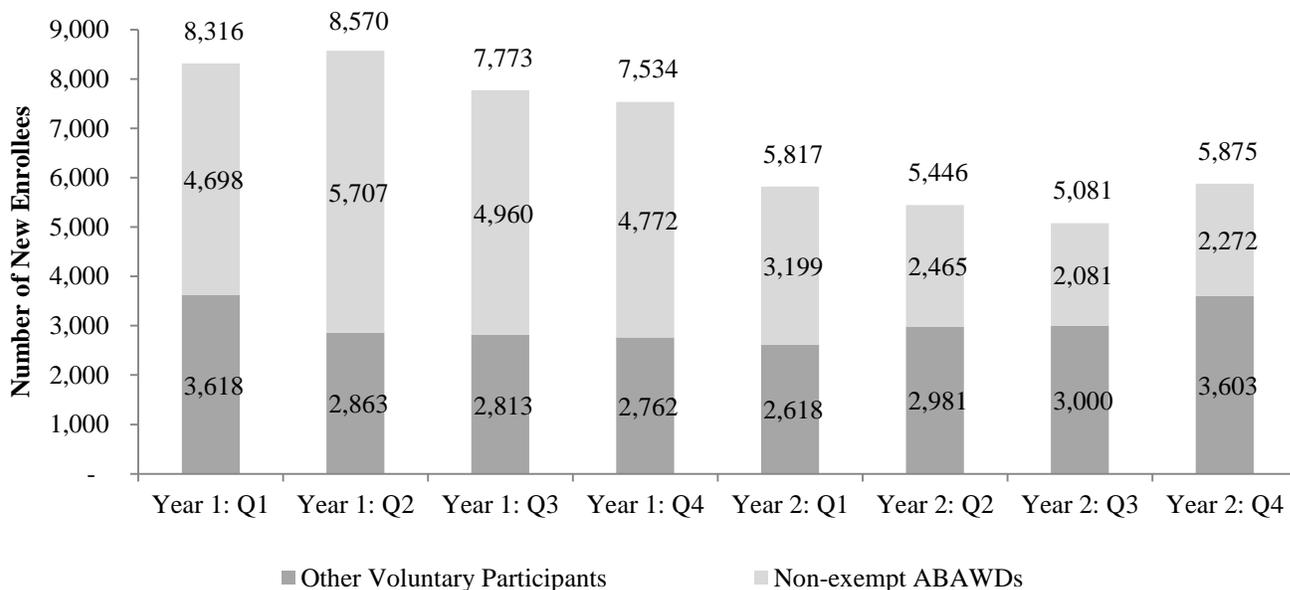
2015, to March, 2016, and Year 2 is from April, 2016, to March, 2017.

TABLE 1
New Non-Exempt ABAWD FSET Referrals and Enrollment

	<u>New Non-Exempt ABAWD Referrals</u>	<u>New Non-Exempt ABAWD Enrollment</u>	<u>Percentage of Referrals who Enroll</u>
Year 1: Q1	22,501	4,698	20.9%
Year 1: Q2	22,713	5,707	25.1
Year 1: Q3	17,244	4,960	28.8
Year 1: Q4	16,941	4,772	28.2
Year 2: Q1	12,671	3,199	25.2
Year 2: Q2	11,643	2,465	21.2
Year 2: Q3	9,851	2,081	21.1
Year 2: Q4	10,216	2,272	22.2

10. Figure 1 shows the number of new FSET enrollees who are non-exempt ABAWDs and need to meet the work requirement as well as new FSET participants who enroll, even though they do not need to meet the work requirement.

FIGURE 1
New FSET Enrollments (April, 2015, through March, 2017)



11. Figure 1 shows that, following statewide implementation of the work requirement (April 1, 2015), most of the new FSET enrollees were individuals who needed to meet the work requirement. However, this is no longer the case. Since the second quarter of Year 2 (July -

September, 2016), over half of new FSET enrollees are individuals who are not required to meet the work requirement.

12. Table 2 shows the monthly statewide average FSET enrollment, by service categories defined in the vendor contracts, since April 1, 2015. Since one person could be enrolled in more than one activity, the total enrollment is less than the sum of the number of individuals participating in the activity categories. The enrollment figures in Table 2 include both ABAWDs who need to meet the work requirement, as well as individuals who do not need to meet the work requirement.

TABLE 2

Monthly Statewide Average FSET Enrollee Activity Participation

<u>Category</u>	<u>FFY15 (Apr.-Sep.)</u>	<u>FFY16</u>	<u>FFY17 (Oct. - Feb.)</u>
Education and Vocational Training	3,164	5,238	4,354
Employment Support	2,463	4,799	4,393
Job Retention	980	2,287	2,382
Job Search	7,315	9,909	7,698
Work Experience	854	1,057	983
Workfare	<u>930</u>	<u>1,518</u>	<u>789</u>
Total Enrollees	8,224	11,490	9,315

13. Table 3 shows the total number of unduplicated individuals who gained employment while participating in FSET. These totals include ABAWDs who need to meet the work requirement, as well as individuals who do not need to meet the work requirement.

TABLE 3

Number of FSET Enrollees Who Gained Employment, By Quarter

Year 1: Q1	1,191
Year 1: Q2	2,562
Year 1: Q3	2,771
Year 1: Q4	2,545
Year 2: Q1	2,467
Year 2: Q2	2,414
Year 2: Q3	2,275
Year 2: Q4	<u>2,045</u>
Total	18,270

14. Due to the absence of a program evaluation and recent implementation of the program, it is difficult to draw any conclusions regarding the program's effectiveness in preparing individuals for employment. For example, it is not known how many of the individuals identified in Table 3 would have gained employment without participating in the FSET program, how many individuals

received full-time jobs rather than part-time jobs, or how many individuals found jobs with earnings that enabled them to no longer qualify for public assistance programs, including FoodShare.

15. FSET vendors have collected some information on wages paid to participants that found employments. In December, 2016, the average wage for FSET program participants was \$12.19 per hour, for an average of 33.6 hours per week or \$21,298 a year (assuming 52 weeks of work). Based on these figures, the average FSET participant who gained employment still would have had annual income below \$23,760 or 200% of the federal poverty level for an individual in federal fiscal year 2017, which is the threshold for an individual to qualify for FoodShare benefits.

16. DHS indicates that there is a correlation between enrollment rates and average costs vendors incur in providing services -- vendors with high enrollment have lower average costs. In part, this may be due to requirements that vendors have an office in every county they serve and maintain a maximum client to case manager ratio of 70 to 1. Additionally, DHS estimates that 65% of continuing FSET participants need more expensive, long-term services and classes to prepare them for employment. This may become more pronounced, the longer the program operates, since an individual remains eligible for FSET services as long as he or she meets the FSET requirements, regardless of how long he or she has been enrolled and how effective the program is in meeting the individual's employment and training needs.

17. As shown in Figure 1, there were approximately 10,000 more new FSET enrollees in the first year of the statewide ABAWD work requirement, than in the second year. While overall FoodShare enrollment has been decreasing, FSET enrollments and referrals decreased at a much greater rate during the same time. Further, the decrease in Year 2 FSET enrollments and referrals is somewhat unexpected, since individuals became subject to the ABAWD requirement in Year 1 on a rolling basis, upon completion of their annual interview to retain FoodShare eligibility. If FSET enrollment continues to decrease in Year 3 (April, 2017, through March, 2018), the monthly enrollee costs could continue to rise.

18. Notwithstanding the current downward trend in new enrollment, the administration estimates that FSET participation will increase in the 2017-19 biennium. DHS predicts an increase in the number of referrals to the FSET program due to reenrollment of individuals who previously lost their FoodShare eligibility for 33 months because they exhausted their time limited benefits and did not comply with the ABAWD work requirement. The first individuals who were disenrolled from the FoodShare program will regain their eligibility, beginning in October, 2017. DHS does not expect these individuals to participate in FSET at a higher rate than they participated during the initial implementation. However, if they reenroll in FoodShare, they will be referred to FSET again and the case managers will spend three months trying to encourage them to participate in FSET.

19. The administration's estimates for FSET vendor caseloads in 2016-17 and the upcoming biennium are shown in Table 4.

TABLE 4

Projected Statewide Monthly FSET Caseload

<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
10,800	11,300	12,500

20. Additionally, the administration has proposed a number of budget provisions which, if approved, would increase enrollment in FSET. These provisions include the universal referrals to FSET and the expanded work requirements for individuals with children age six or older. These provisions are addressed in LFB papers #346 and #347, respectively.

21. Further, as described in LFB paper #324, childless adults receiving BadgerCare Plus (Medicaid) coverage could also be subject to work requirements starting in April, 2019. BadgerCare Plus recipients, subject to the work requirements, would be offered employment and training services from the same FSET vendors that currently provide services to FoodShare recipients as one way to meet the new requirements.

22. Increased enrollment from any of the other factors and budget provisions could lower monthly enrollee costs in the upcoming biennium since case managers currently not carrying full caseloads would serve more individuals and office overhead costs would be shared across more participants. Further, presumably not all of these new enrollees would need the intensified level of services that current long-term FSET participants are being offered, which may also lead to lower monthly enrollee costs.

Vendor Contracts and Costs

23. In 2014, DHS put out a Request for Proposals (RFP) to solicit vendors to provide FSET services to ABAWDs subject to the work requirements implemented as part of 2013 Wisconsin Act 20. Each region received between one and four bidders, with some vendors bidding on more than one region, and some chosen vendors receiving contracts in multiple regions.

24. The original vendor contracts expired on September 30, 2016. However, the contracts allowed for two one-year extensions. DHS decided to authorize these extensions for federal fiscal year 2017 and 2018 for the current vendors. As such, the vendor contracts have not been competitively rebid since the ABAWD work requirement was implemented statewide. However, an RFP for new vendor contracts is expected to be released in September, 2017. The effective date of the new vendor contracts will be October 1, 2018.

25. The contracts between DHS and the FSET vendors specify the terms and conditions of service provision, and provide funding up to a specified total dollar amount. FSET vendors receive reimbursement from DHS for invoiced costs that are eligible under the FSET program.

26. FSET vendor costs can generally be grouped into three categories: administrative costs, which include employment and training programming costs; participant reimbursement costs, which include transportation, childcare, tuition, and other incidentals related to participating in the

program; and job retention costs, which provide support for FSET participants that have entered employment.

27. The federal fiscal year 2016 contracts awarded up to \$45,342,700 (all funds) to the FSET vendors. However, actual reimbursements totaled \$38,750,100 (approximately 85% of the contracted amount) or an average of \$283 all funds per enrollee per month (\$3,397 per enrollee per year). For federal fiscal year 2017, the maximum contract reimbursement for all the vendors is \$45,881,500 (all funds).

28. FSET vendors are subject to fiscal reviews, case reviews, and annual on-site administrative and program reviews conducted by DHS. FSET vendors must provide DHS with all requested reports, documentation, or other information necessary to conduct reviews of program and contract compliance.

29. Despite monitoring by DHS, congressional inquiries and advocate concerns have prompted FNS to conduct multiple monitoring visits of Milwaukee's FSET program. FSET services in Milwaukee County are provided by ResCare, which is a for-profit company serving three of the state's 11 FSET regions.

30. On three separate dates in 2015, FNS visited ResCare in Milwaukee. As a result of the visit, FNS issued four corrective actions and 15 recommendations for the state based on noncompliance with the approved employment and training plan, ABAWD policies and procedures, or SNAP regulations. FNS also issued six corrective actions and two recommendations relating to civil rights.

31. Some of the issues identified included: violating civil rights law by asking open ended questions with little relevance to current suitability for employment related to historical substance abuse and mental illness; not providing proper USDA nondiscrimination statements on printed materials; and incorrect procedures for determining and granting exemptions from the ABAWD work requirement.

32. In response to additional concerns, FNS visited ResCare in Milwaukee on two dates in 2016, and again found that corrective action was necessary for the vendor to be in compliance with federal law. The identified issues included: incorrect descriptions of suitable employment both in the state handbook and the vendor's participation agreement; lack of participant reimbursement for eligible costs; lack of individualized services as outlined in the state plan; and lack of substantive training referrals that offer post-secondary education programs and trainings that lead to industry-recognized credentials and licensures, as well as certificates and degrees.

33. In March, 2017, FNS wrote to DHS and approved the Department's corrective action as it related to proper procedure for reimbursing FSET participants for eligible costs. FNS considered the response to the other corrective action satisfactory, but still in progress as the state handbook had not yet been issued with correct descriptions of suitable employment. FNS requested a copy of the updated handbook once it is issued in May, 2017, to verify complete compliance.

34. DHS can conduct onsite monitoring visits more frequently than once a year, based on

need. However, despite the repeated concerns regarding ResCare's services in Milwaukee County, DHS has not conducted additional formal onsite monitoring visits. The only formal onsite monitoring visit DHS has conducted of ResCare's locations in Milwaukee County was in May, 2016, with the next formal monitoring visit scheduled for May, 2017.

35. DHS indicates that they are not aware of similar issues in any of the other ten FSET regions, including the other two regions served by ResCare.

Funding

36. FSET is funded from three sources: (a) state general purpose revenue (GPR); (b) local county contributions; and (c) federal funds (FED), including contributions that do not require a state or local match, matching funds for local expenditures, and matching funds for state expenditures.

37. "Pledge state" funding is one of the two types of 100% federal funding FSET receives. Wisconsin is a federal pledge state, which means the state has the federal ABAWD work requirement in place, reaches out to ABAWDs in their third month of FoodShare participation, and pledges to provide employment and training services to all ABAWDs. In return, pledge states receive a portion of an annual \$20 million pledge state grant. However, as more states become pledge states the portion received by each becomes smaller. In 2016-17 there were four new pledge states, resulting in Wisconsin receiving \$2.2 million in federal pledge state funding, which is less than in prior years.

38. The other type of 100% federal funding FSET receives is SNAP Education and Training funding. Prior to 2016-17, Wisconsin's share of 100% federal funding for SNAP Education and Training was based on an estimate of the number of ABAWDs in the state. Now that the ABAWD policy has been fully implemented, FNS uses the actual number of Wisconsin ABAWDs, rather than estimates. This has resulted in a decrease in the state's estimated 100% federal funding allocations for 2017-18 and 2018-19.

39. Table 5 summarizes, for 2016-17 through 2018-19, the administration's estimates of total FSET costs, funding offsets, and state funding carried over from previous fiscal years.

TABLE 5

**FoodShare Employment and Training Program
Fiscal Years 2016-17 through 2018-19**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Base Program Costs (Includes FED and Local Funds)	\$45,922,700	\$49,489,200	\$51,578,900
Funding Offsets			
100% FED Allocation -- SNAP Education and Training & "Pledge State" Allocations	-\$2,500,000	-\$2,300,000	-\$2,200,000
Local Contributions (including 50% FED match)	<u>-4,307,200</u>	<u>-5,000,000</u>	<u>-5,000,000</u>
Subtotal	\$39,115,500	\$42,189,200	\$44,378,900
Remaining Program Costs- FED Cost Sharing	-\$19,557,750	-\$20,520,500	-\$21,599,500
Total GPR Program Cost	\$19,557,750	\$21,668,700	\$22,779,400
Available Funds			
Base Funding Appropriation	\$13,925,300	\$13,925,300	\$13,925,300
Carryover from Previous Fiscal Year	<u>10,532,300</u>	<u>4,899,900</u>	<u>0</u>
Subtotal	\$24,457,600	\$18,825,200	\$13,925,300
Amount Carried Forward to Next Year/(Shortfall)	\$4,899,900	-\$2,843,500	-\$8,854,100

Pay-for-Performance Bonuses

40. The base program costs in Table 5 include funding for pay-for-performance incentives to encourage the FSET vendors to meet employment outcomes and other performance measures. Of the "Total GPR Program Cost" amounts, \$1,722,200 GPR in 2017-18 and \$1,769,800 GPR in 2018-19 is for pay-for-performance incentive payments. Similarly, the "Remaining Program Costs- FED Cost Sharing" includes \$574,000 FED in 2017-18 and \$589,900 FED in 2018-19 for incentives.

41. DHS indicates that this funding would be used to develop a competitive pay-for-performance plan through which FSET vendors would be eligible to receive additional funding equal to 5% of the other contract costs. The intention of this plan would be to incentivize employment outcomes, increase economic self-sufficiency for participants, improve customer service, enhance program efficiency, and strengthen program compliance.

42. Under federal law, rewards to SNAP employment and training vendors are not eligible for a federal match unless the rewards are either for employment outcomes or directed towards program improvements. Therefore, the administration assumes that 25%, rather than 50% of the pay-for-performance bonuses would be eligible for federal matching funds. This results in a slightly greater percentage of remaining program costs, after accounting for 100% federal funding and matching funds from local contributions, to be funded with GPR than FED as demonstrated by comparing the "Remaining Program Costs- FED Cost Sharing" to the "Total GPR Program Cost" in Table 5.

43. In federal fiscal year 2017, DHS paid the FSET vendors final performance bonuses. These bonuses were earned in federal fiscal year 2016 and were equal to a maximum of 5% of

federal fiscal year 2016 contract amounts. The exact funding methodology for the final performance bonuses was supposed to be outlined in performance benchmark methodology addendums to the vendor contracts. However, agreement could not be reached between DHS and the vendors regarding the methodology and the addendums were never finalized.

44. Despite the lack of consensus as to a funding methodology, DHS still awarded the bonuses. DHS based the awards on performance metrics for timely completion of quarterly reports and accuracy of entered employments. Vendors who demonstrated a high performance level or a high degree of improvement were eligible for 100% of their maximum bonus, with only one region, served by Workforce Resources, receiving less than 100% of their maximum bonus.

45. DHS limited the ways the vendors could spend their bonuses, based on eligible activities under federal law, in order to ensure 50% federal funding for the bonuses. DHS indicates that the pay-for-performance bonuses included in the current bill would replace the final performance bonuses. DHS anticipates that spending authority would not be limited for the pay-for-performance bonuses, hence the assumption of 25% federal funding for these bonuses.

46. DHS suggests that without funding for a pay-for-performance plan, as proposed in the bill, "the effectiveness of FSET could begin to stagnate, vendors would have a disincentive for employment outcomes in order to keep enrollment high, state taxpayers would not receive a meaningful return on their investment in the FSET program, and FSET participants would remain dependent on government programs without gaining the job skills that the FSET program promised to provide." If the Committee determines that it is necessary to provide additional funding, above the amounts needed to fund current services, to ensure that vendors meet performance standards, it could adopt all of the Governor's funding recommendations for the FSET program, including funding for the pay-for-performance bonuses [Alternative 1a].

[Although the GPR funding change in the bill is partially due to reestimates of the amount of federal funding that will be available to support services in the 2017-19 biennium, the bill does not adjust the federal appropriation that supports FSET vendor services. Funding in the bill should be reduced by \$10,077,700 FED in 2017-18 and \$9,098,700 FED in 2018-19. This adjustment to estimated federal funds would have no programmatic effect, as DHS would still be authorized to expend all federal moneys it receives for program services. Consequently, this federal funding adjustment is incorporated into Alternative 1a]

47. However, it could also be argued that the state should not need to increase funding for vendor contracts to ensure that vendors meet performance standards, as compliance with performance standards, including employment outcomes, should be part of the current vendor contracts.

48. Further, without an independent evaluation of the FSET program, it is unclear how effective the program is in meeting the program's goal -- to assist FoodShare recipients to obtain and retain employment. In 2016, FNS published a rule, which requires states to report outcome data for their employment and training programs, with the first year's data due by January 1, 2018. Until this first outcome report has been completed and reviewed, the Committee may not want to increase funding for vendor services, and could therefore delete the additional funding that would be

provided for the pay-for-performance bonuses [Alternative 1b].

49. If the Committee chooses not to provide additional funding for incentive bonuses, it could instead require future vendor contracts (contracts that take effect on and after October 1, 2018), to contain performance incentive measures. For example, the Committee could require that DHS withhold 5% of other contract costs for vendors who under-perform, providing the full contract amount only to those vendors who meet pre-established goals relating to performance, including employment outcomes [Alternative 1c].

50. However, failing to guarantee full payment of costs may result in higher future contract costs, as vendors may seek higher reimbursement amounts to compensate for the reduced cash flow caused by the pay-for-performance withholding.

51. The Committee may want to reconsider the funding mechanism of the FSET program altogether. Wisconsin is required to provide FSET services to ABAWDs who are subject to the work requirement. However, FSET is not an entitlement program for voluntary participants and the Committee may be concerned that the current funding structure seems to indicate otherwise, especially since new enrollment in the program is largely composed of voluntary participants, as shown in Figure 1.

52. Under the 2013-15 budget act, the administration projected that the estimated cost of providing services would be approximately \$125 per enrollee per month. This estimate was based on the actual monthly FSET program costs of approximately \$150 per enrollee per month, combined with the assumption that economies of scale would be realized when the ABAWD work requirement was implemented statewide. The average monthly costs of serving FSET participants in December, 2013, was approximately \$128.55, based on 14 counties that reported complete data.

53. DHS now indicates that the average enrollee costs used in the 2013-15 budget are an unreliable measure of costs since FSET agencies were not previously required to meet all participants' needs if funds were unavailable. Further, many participants were receiving fewer services than the 20 hours per week required for ABAWDs, resulting in lower average costs.

54. Based on actual enrollment and cost data as of February, 2015, the average monthly cost of providing FSET services to ABAWDs who were not exempt from the work requirements was approximately \$245. However, the average cost per enrollee declined rapidly once the work requirements were implemented in Kenosha, Racine, and Walworth counties. At that time DHS anticipated economies of scale relating to administering the FSET program once full expansion of and enrollment in the program occurred.

55. Yet, rather than realizing any anticipated savings from economies of scale, average cost per participant and total contract costs have increased. Between October, 2015, and March, 2016, average monthly costs were \$244 per enrollee. However, the average cost for the full federal fiscal year 2016 was \$283 per enrollee per month, which indicates that costs continued to rise in the second half of the federal fiscal year.

56. The Governor's proposal would continue to budget the program based on projected

increases in the amount spent per enrollee per month. Based on the administration's caseload estimates, average monthly costs per enrollee would be \$365 in 2017-18 and \$344 in 2018-19. The lower average cost for 2018-19 is based on the administration's assumptions regarding caseload growth as shown in Table 4.

57. Table 6 shows the total funding necessary for the FSET program if the Committee decided to fund the FSET program based on an average monthly reimbursement per participant of \$283, including all vendor costs and administrative overhead. No funding is provided for pay-for-performance incentives.

TABLE 6

**FoodShare Employment and Training Program
Fiscal Years 2017-18 and 2018-19**

	<u>2017-18</u>	<u>2018-19</u>
Base Program Costs -Includes FED and Local Funds	\$38,374,800	\$42,600,000
Funding Offsets		
100% FED Allocation -- SNAP Education and Training & "Pledge State" Allocations	-\$2,300,000	-\$2,300,000
Local Contributions -including 50% FED match	<u>-5,000,000</u>	<u>-5,000,000</u>
Subtotal	\$31,074,800	\$35,300,000
Remaining Program Costs- 50% FED Cost Sharing	-\$15,537,400	-\$17,650,000
Total GPR Cost of Program	\$15,537,400	\$17,650,000
Base Funding	\$10,637,500	\$13,925,300
Carryover from Previous Fiscal Year	<u>4,899,900</u>	<u>0</u>
Total Available	\$15,537,400	\$13,925,300
Difference between Available Funding and Projected Program Costs	\$0	-\$3,724,700

58. The Committee could choose to fund the program at the amounts shown in Table 6, while still allowing DHS to establish maximum monthly cost reimbursements for each vendor. This would allow DHS to adjust the funding per enrollee based on regional cost variations [Alternative 2].

59. On the other hand, since eight of the eleven FSET regions are currently served by vendors also providing Wisconsin Works (W-2) services, the Committee could choose to structure the funding mechanism for FSET similarly to W-2.

60. Generally, under W-2, vendors are paid a monthly capitation amount based on the number of enrollees served, with additional incentive payments available based on performance outcomes such as completion of a GED or obtaining employment. Capitation payments make up 30% of the maximum budgeted contract amount, with the remaining 70% of payments based on

performance standards and additional outcome measures.

61. Capitated payments would ensure that vendor reimbursements are based on enrollment numbers, which would eliminate the ability of the FSET vendors to increase their average enrollee costs when enrollment is low in order to receive payments closer to the maximum contracted amounts.

62. Under this alternative the Committee could choose to pay the FSET vendors \$283 per enrollee per month as a set capitated amount starting with the new FSET vendor contracts effective October 1, 2018. The contract extensions, in effect from October 1, 2017, through September 30, 2018, would also be budgeted based on \$283 per enrollee per month but the payments would not be capitated since the current contracts are not structured as such. No additional funding would be provided for pay-for-performance incentives [Alternative 3a].

63. The bill includes funding for a pay-for-performance incentive equal to 5% of other contract costs. The Committee could therefore choose to add 5% to the amounts shown in Table 6 to provide funding for a performance based incentive scheme. A 5% pay-for-performance incentive would require an additional \$1,918,700 (\$1,439,000 GPR and \$479,700 FED) in 2017-18 and \$2,130,000 (\$1,597,500 GPR and \$532,500 FED) in 2018-19 beyond the amounts shown in Table 6 [Alternative 3b].

64. Alternatively, the Committee could keep the funding level as shown in Table 6 but require DHS to withhold 5% of contract costs unless the vendor meets performance measures established by DHS [Alternative 3c].

ALTERNATIVES

1. a. Approve the Governor's recommendation. In addition, reduce estimated federal funding available to support program services by \$10,077,700 FED in 2017-18 and \$9,098,700 FED in 2018-19, as discussed in Discussion Point 46.

ALT 1a	Change to	
	Base	Bill
GPR	\$11,697,600	\$0
FED	<u>-19,176,400</u>	<u>-19,176,400</u>
Total	-\$7,478,800	-\$19,176,400

b. Modify the Governor's recommendation by: (a) eliminating the funding for the vendor pay-for-performance incentives (-\$1,722,200 GPR and -\$574,000 FED in 2017-18 and -\$1,769,800 GPR and -\$589,900 FED in 2018-19); and (b) reducing estimated federal funding available to support program services by \$10,077,700 FED in 2017-18 and \$9,098,700 FED in 2018-19.

ALT 1b	Change to	
	Base	Bill
GPR	\$8,205,600	- \$3,492,000
FED	<u>- 20,340,300</u>	<u>- 20,340,300</u>
Total	-\$12,134,700	-\$23,832,300

c. Modify the Governor's recommendation by: (a) eliminating the funding for the vendor pay for performance incentives (-\$1,722,200 GPR and -\$574,000 FED in 2017-18 and \$1,769,800 GPR and -\$589,900 FED in 2018-19); (b) reducing estimated federal funding available to support program services by \$10,077,700 FED in 2017-18 and \$9,098,700 FED in 2018-19; and (c) requiring DHS to enter into contracts to only fully fund expenses for vendors meeting certain pre-established performance and job outcome measures, effective for FSET vendor contracts DHS enters into that are effective on or after October 1, 2018.

ALT 1c	Change to	
	Base	Bill
GPR	\$8,205,600	- \$3,492,000
FED	<u>- 20,340,300</u>	<u>- 20,340,300</u>
Total	-\$12,134,700	-\$23,832,300

2. Reduce funding in the bill by \$24,935,800 (-\$6,131,300 GPR and -\$18,804,500 FED) in 2017-18 and \$23,933,900 (-\$5,129,400 GPR and -\$18,804,500 FED) in 2018-19 by budgeting funding for the FSET program based on an average monthly enrollee cost of \$283 including all administrative expenses, with no funding budgeted for a pay-for-performance incentive.

ALT 2	Change to	
	Base	Bill
GPR	\$436,900	-\$11,260,700
FED	<u>- 37,609,000</u>	<u>- 37,609,000</u>
Total	-\$37,172,100	-\$48,869,700

3. Require that funding for the FSET program be based on capitated payments of \$283 per enrollee per month starting with the new FSET vendor contracts effective October 1, 2018.

a. Reduce funding in the bill by \$24,935,800 (-\$6,131,300 GPR and -\$18,804,500 FED) in 2017-18 and \$23,933,900 (-\$5,129,400 GPR and -\$18,804,500 FED) in 2018-19, with no funding budgeted for a pay-for-performance incentive.

ALT 3a	Change to	
	Base	Bill
GPR	\$436,900	-\$11,260,700
FED	<u>- 37,609,000</u>	<u>- 37,609,000</u>
Total	-\$37,172,100	-\$48,869,700

b. Reduce funding in the bill by \$23,017,100 (-\$4,692,300 GPR and -\$18,324,800 FED) in 2017-18 and \$21,803,900 (-\$3,531,900 GPR and -\$18,272,000 FED) in 2018-19. Provide up to an additional 5% of contract costs available in pay-for-performance incentive payments based on performance measures established by DHS.

ALT 3b	Change to	
	Base	Bill
GPR	\$3,473,400	-\$8,224,200
FED	<u>- 36,596,800</u>	<u>- 36,596,800</u>
Total	-\$33,123,400	-\$44,821,000

c. Reduce funding in the bill by \$24,935,800 (-\$6,131,300 GPR and -\$18,804,500 FED) in 2017-18 and \$23,933,900 (-\$5,129,400 GPR and -\$18,804,500 FED) in 2018-19. Require that DHS withhold 5% of contract costs unless the vendor meets performance measures established by DHS.

ALT 3c	Change to	
	Base	Bill
GPR	\$436,900	-\$11,260,700
FED	<u>- 37,609,000</u>	<u>- 37,609,000</u>
Total	-\$37,172,100	-\$48,869,700

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