



Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1053

Temporary Assistance for Needy Families (TANF)

Public Assistance Collection Unit (DWD -- Economic Support and Child Care)

[LFB 2001-03 Budget Summary: Page 748, #43 and Page 749, #44]

CURRENT LAW

Under current law, the Department of Workforce Development (DWD) is required to recover all overpayments of the following: (a) benefits under the former aid to families with dependent children (AFDC) program; (b) subsidized employment benefits and custodial parent of infant grants under the Wisconsin Works (W-2) program; (c) child care benefits; (d) transportation assistance; and (e) medical assistance (MA). The state sends a portion of these collections to the federal government, a portion is given to local agencies and a portion is retained by the state.

The public assistance collections unit is currently housed in the Division of Unemployment Insurance in DWD. This unit collects overpayments of benefits from AFDC, W-2, MA, food stamps, child care subsidies and job access loans. The unit currently has 3.0 FTE positions to perform this work.

The public assistance collections unit is authorized to implement the new lien and levy programs that were created as part of the 1999-01 budget for AFDC, W-2, child care and transportation assistance. Under the lien program, DWD can issue a warrant to place a lien against the property of a person who fails to pay any amount of an overpayment. This action can be taken if no review or appeal of the overpayment is pending and the time for requesting a review or appeal has expired. DWD is allowed to file an execution that directs the sheriff of the county to seize and sell real and personal property of the person to pay the amount stated in the warrant, except for certain property that is exempt from execution under current state law. When the amount of the warrant has been paid in full, the Department must file a satisfaction of the warrant.

Under the levy program, the Department can collect any debt or overpayment by levying upon any property belonging to a person who received an overpayment. The Department can also collect any expenses related to the levy from the person who received the overpayment. This action can be taken if no appeal or other proceeding for review is pending and the time for taking an appeal or petitioning for review has expired. If anyone fails or refuses to surrender property under a levy, they would be subject to proceedings to enforce the amount of the levy.

GOVERNOR

Provide increased funding of \$37,600 FED and \$37,700 PR in 2001-02 and \$50,200 FED and \$50,200 PR in 2002-03, and provide 1.0 FED position and 1.0 PR position annually for the public assistance collections unit. The new positions would implement the levy and lien program for overpayments that was adopted as part of the 1999-01 biennial budget. The federally-funded position would work half-time on programs funded by the federal temporary assistance for needy families (TANF) and child care and development fund (CCDF) programs and half-time on food stamps. The second position would be funded from program revenue resulting from overpayment collections and would work on all programs. The bill would also allow DWD to perform these services for medical assistance if the Department of Health and Family Services (DHFS) chooses to contract with DWD.

DISCUSSION POINTS

1. The public assistance collections unit was created as a pilot project in 1994 and is responsible for collection of overpayments in public assistance programs as required by federal law. The unit currently has the following responsibilities: (a) conduct the lien and levy programs created by the 1999-01 budget; (b) conduct a tax offset program that collects overpayments through taxes, including sending out notices and responding to phone and letter inquiries; (c) respond to inquiries regarding policies, procedures, appeals and collection issues; (d) account for the dollars collected and prepare data for the federal government; (e) assure the proper posting of payments to accounts; (f) process appeals; (g) handle bankruptcy case activities; and (h) maintain and enhance computer operations.

2. The unit has collected \$24.9 million in overpayments through its tax offset program since it began. As of April, 2001, there were \$41.1 million in overpayments outstanding from the following programs: \$27.8 million from AFDC; \$9.3 million from food stamps; \$2.1 million from MA; \$1.4 million from W-2; and \$0.5 million from child care. The amount recovered has increased annually since the unit began, from a low of \$1.2 million for 1993 to a high of \$5.7 million for 2000. A portion of the overpayments fund state fraud efforts and local agency fraud efforts. All TANF and child care funds collected remain at the state level to be used for fraud efforts and services. However, a portion of AFDC, MA and food stamp collections must be returned to the federal government and distributed to local agencies.

Request for Position Authority

3. The public assistance collections unit currently has 3.0 permanent FTE staff, all of which are filled. In addition, as of April 26, 2001, the unit had 3.0 LTE staff positions filled. The 2000-01 budget for the unit is \$1,010,600, including \$117,200 for salaries and fringe benefits, and \$893,400 for supplies and services.

4. DWD asserts that additional positions are needed because the workload demands more than three permanent positions and the current use of limited term employees is not efficient. The unit has continually used limited term employees since its inception. Since July, 1999, the Public Assistance Collections Unit has hired a total of 11 LTEs. According to DWD, eight months of training for one staff person is required for the staff person to become fully able to process overpayments and follow appropriate collection methods. However, it is not possible to adequately train LTEs because there is a six-month limit on using LTEs. DWD states that it has been difficult keeping adequately training staff to perform all functions assigned to the unit because staff often leave before their six months are over to accept permanent state government positions. DWD also states that few state job applicants apply for limited-term employment, making it difficult to find qualified candidates. In addition, DWD indicates that it is currently difficult to provide the expected level of service and the Department has not been able to implement any enhanced collection efforts, such as the levy and lien programs authorized in the 1999-01 budget.

5. If provided the staff, DWD states that it would still have to rely on LTEs until it has fully implemented the levy and lien programs authorized in the 1999-01 budget. The Department estimates that the additional staff would result in increased collections of approximately \$500,000 to \$700,000 annually per position. As discussed above, these collections would be distributed between federal, state and local agencies. The Governor's proposed budget did not assume that any additional revenue would be available, but did assume that PR totaling \$37,700 in 2001-02 and \$50,200 in 2002-03 would be available to fund one of the proposed positions.

6. The Governor recommended the same two positions as part of the 1999-01 budget but the positions were deleted from the bill by the Legislature due to a high number of vacancies in the Department. However, the Legislature authorized the Department to reallocate vacant positions for these duties. DWD states that it could not reallocate positions to this function due to funding reductions made in the 1997-99 budget bill.

7. An alternative would be not to provide any new positions since the state administration reductions in the proposed budget are likely to create vacant positions that could be reallocated to the public assistance collections unit. In addition, based on a review of vacant positions within DWD, there were a total of 121 positions that have been vacant for seven months or longer as of April 7, 2001. Of these vacant positions, 50 have been vacant for 13 months or more. Some of these vacancies are project positions that will terminate at the end of the current fiscal year, and the Department is attempting to fill most of the other vacancies. Also, 9.25 positions in the Administrative Services Division would be deleted under another provision of the budget bill. However, given the large number of long-term vacancies, it can be argued that the Department has sufficient flexibility to reallocate existing positions and additional position authority is not necessary.

at this time.

8. Since the positions would generate PR through their collection efforts, the source of funds for the 0.5 FTE position funded by TANF and CCDF could be changed from FED to PR. This would free up federal TANF and child care funds of \$18,800 in 2001-02 and \$25,100 in 2002-03. The TANF and CCDF funds could be used to address a projected shortfall in the Wisconsin Shares child care subsidy program of \$95.1 million over the biennium. An alternative to utilize these savings for child care is presented in Paper #1046. The food stamp funds could be used for local administration of food stamps.

9. Another option would be to delete the Governor's recommendation and not provide any positions or funding for the public assistance collections unit. Under this option, DWD would have to continue to rely on LTEs and would not likely be able to implement the lien and levy programs adopted in the 1999-01 biennial budget.

Impact of MA Administration Transfer to the Department of Health and Family Services

10. One of the functions currently being performed by the public assistance collections unit is collection of MA overpayments. Under the bill, the funds for conducting these collections would remain with DWD, but new statutory provisions would allow the Department of Health and Family Services to either conduct its own program for state and local error reduction and overpayment collections, or to contract with DWD for this service. DWD and DHFS have informally agreed to continue to have DWD perform this service because DWD already has the necessary infrastructure and establishing two collection systems would create duplicative costs.

11. If DHFS were to transfer funds to DWD for MA collection efforts, then DWD would have more funds for this function than intended by the Governor's budget bill, since no funds for MA error reduction and overpayment collections were transferred to DHFS. An alternative would be to transfer funds from DWD's state fraud appropriation to DHFS for this function as part of the MA administration transfer described in Paper #1057. When DHFS contracts back to DWD for overpayment collection services, PR-S could be deposited in DWD's intergovernmental services appropriation. The amount transferred between departments would be based on MA's share in 2000-01 of fraud and error reduction costs. A total of \$257,300 PR and \$257,300 FED could be transferred from DWD to DHFS in 2001-02 and \$258,600 PR and \$258,600 FED could be transferred in 2002-03 if the Committee approves the funding recommended by the Governor. If the Committee deletes the funding for the two new positions, then the amount transferred would be \$253,300 PR and \$253,300 FED annually.

12. Another option would be to modify the Governor's proposed statutory language for the MA transfer to remove the language allowing DHFS to either conduct its own program for error reduction and overpayment collections or to contract with DWD for this service. Under this option, DWD would continue to perform error reduction and collection activities for MA overpayments and funds would not have to be transferred between the two departments. This option would maintain the status quo and would not create additional administrative transactions. However, it would be

inconsistent with DHFS's goal of having direct oversight over all MA funds.

ALTERNATIVES TO BILL

Public Assistance Collections Unit

1. Approve the Governor's recommendation to provide increased funding of \$37,600 FED and \$37,700 PR in 2001-02 and \$50,200 FED and \$50,200 PR in 2002-03, and provide 1.0 FED position and 1.0 PR position annually for the public assistance collections unit.

2. Modify the Governor's recommendation to delete the 2.0 positions and direct DWD to reallocate 2.0 FTE to the public assistance collections unit. Convert proposed TANF and CCDF expenditures of \$18,800 in 2001-02 and \$25,100 in 2002-03 to PR expenditures to reflect that 0.5 FTE could be supported by PR received from enhanced collections. This option would provide the same amount of funding as provided by the Governor, but would require DWD to reallocate the two positions from its vacancies.

Alternative 2	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- \$43,900	\$43,900	\$0
2002-03 POSITIONS (Change to Bill)	- 1.00	- 1.00	- 2.00

3. Maintain current law and delete the 2.0 positions recommended by the Governor. Reduce funding by \$37,600 FED and \$37,700 PR in 2001-02 and \$50,200 FED and \$50,200 PR in 2002-03.

Alternative 3	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- \$87,800	- \$87,900	- \$175,700
2002-03 POSITIONS (Change to Bill)	- 1.00	- 1.00	- 2.00

Fraud and Error Reduction for the Medical Assistance Program

4. Transfer \$257,300 PR and \$257,300 FED in 2001-02 and \$258,600 PR and \$258,600 FED in 2002-03 from DWD to DHFS for state and local error reduction activities and overpayment collections for the medical assistance program. These funds would be transferred back to DWD as PR-S from DHFS as part of the contract for the collection of MA overpayments. This alternative could be used if the Committee adopts alternative 1 or 2.

Alternative 4: DWD	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- \$515,900	\$515,900	\$0

Alternative 4: DHFS	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	\$515,900	\$515,900	\$1,031,800

5. Transfer \$253,300 PR and \$253,300 FED annually from DWD to DHFS for state and local error reduction activities and overpayment collections for the medical assistance program. These funds would be transferred back to DWD as PR-S from DHFS as part of the contract for the collection of MA overpayments. This alternative could be used if the Committee does not provide any additional funding for the public assistance collections unit by adopting alternative 3.

Alternative 5: DWD	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- \$506,600	\$506,600	\$0

Alternative 5: DHFS	FED	PR	TOTAL
2001-03 FUNDING (Change to Bill)	\$506,600	\$506,600	\$1,013,200

6. Delete the proposed statutory provisions that would allow provide DHFS with the option to either contract with DWD or set up its own system for fraud investigation and error reduction for recipients of MA. Under this option, DWD would continue to be required to conduct state and local error reduction activities and overpayment collections for the MA program and there would be no funding transfers between departments.

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