Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **13-1280/4**	Introduction Number **AB-0232**

Description
Optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs, granting rule-making authority, and making appropriations

Fiscal Effect

State:
☐ No State Fiscal Effect
☒ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
- ☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☒ Increase Revenue ☒ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☒ Counties ☒ Others Tribes
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DCF/ Mary Moyer (608) 264-8742	Robert Nikolay (608) 261-4349	12/16/2013

Fiscal Estimate Narratives

DCF 12/16/2013

LRB Number **13-1280/4**	Introduction Number **AB-0232**	Estimate Type **Original**
Description Optional incentive program for counties and tribes that identify fraudulent activity in certain public assistance programs, granting rule-making authority, and making appropriations		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department is required to establish a program to investigate suspected fraud activity on the part of recipients of Aid to Families with Dependent Children (AFDC) and Wisconsin Works (W-2), including Wisconsin Shares recipients. The Department contracts with counties and W-2 agencies to perform these services. In addition, under current law, the Department is required to establish by rule a incentive program for local fraud detection in the Wisconsin Shares child care subsidy program. In addition, current law allows a county or tribe to receive to receive 15% of AFDC benefits that are recovered due to the efforts of an employee or officer of the county or tribe.

This bill requires the Department to create an optional incentive program, by rule, under which the Department will provide a reward payment to a county or tribe if an employee or officer of the county or tribe identifies fraudulent activity in the W-2 program. The amount of the reward payment is to equal 20% of the amount the Department determines will be saved in W-2 as a result of eliminating the fraudulent activity during the 12-month period after the fraudulent activity is eliminated. The bill allows the Temporary Assistance for Needy Families (TANF) GPR maintenance of effort (MOE) appropriation, the federal block grant operations appropriation and the public assistance overpayment collections appropriations to be used for this new incentive program. The bill directs the optional incentive program to allow a county or tribe to choose to receive a reward payment under this new program, or from the AFDC or Wisconsin Shares programs currently in existence. The bill provides that a county or tribe may use the W-2 reward payment for any purpose. If the Department determines that it needs a waiver to allow W-2 reward payments to qualify as TANF MOE or to allow a county or tribe to use any federal funds received under the reward program for any purpose, the bill requires the Department to request the necessary waiver from the federal Department of Health and Human Services Secretary, and may not implement the new incentive program unless the waiver is granted.

Typically federal government cost principles governing the use of federal funds allows states to reimburse contractors for costs incurred in carrying out certain activities, including fraud management or program integrity. However, the federal government does not view incentives or rewards to contractors as an allowable TANF expenditure. Because the bill provides that a county or tribe may use the funds received for any purpose, limiting DCF's ability to restrict uses to federally approvable purposes and contract structures, it is unlikely that the payments under this new incentive program can be counted towards the state's TANF maintenance of effort (MOE) requirement, and, therefore would require the Department to request a waiver for DCF to count the payments as MOE.

If a waiver is not granted by the federal government, the cost of this bill will be $0 because the new reward program will not be implemented. If a waiver is granted, the fiscal effect of the new program could result in some savings to the Department as the 20% reward is expected to come from projected savings in the W-2 program as a result of identifying W-2 fraud. However, the fiscal effect is likely to be small and difficult to estimate because:
1) DCF currently contracts with non-county entities for W-2 eligibility and services. W-2 agencies may sub-contract with counties to administer W-2 program activities; however, few currently do so. As a result, since counties are not in the foreseeable future the primary contractors for W-2, this decreases the likelihood that county or tribal employees will focus on W-2 fraud.
2) It will be difficult to determine prospective savings in W-2 as a result of eliminating the fraudulent activity. Additionally the issue arises as to how to assign the county or tribal governing body's share of responsibility and therefore reward amount when several entities, such as DCF, W-2 agencies, law enforcement, income-maintenance agencies and DHS, may also be involved in identifying the same instance of fraud.
3) It is unknown what fraud incentive program a county may choose to receive the reward under this bill.

The bill could result in additional revenues to counties and tribes if they identify fraud in the W-2 program. For reasons stated above, the amount of this increase in revenue cannot be determined.

Long-Range Fiscal Implications