



Legislative Fiscal Bureau

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

April 7, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 898 and Senate Bill 653: Enhanced Subsidies for Trial Job Program and Transitional Jobs Demonstration Program

Assembly Bill 898 and Senate Bill 653 are companion bills that would temporarily modify the trial jobs program and transitional jobs demonstration project administered by the Department of Children and Families (DCF). AB 898 was introduced on March 26, 2010, and referred to the Assembly Committee on Jobs, the Economy and Small Business. On March 30, 2010, that committee recommended passage of AB 898 by a vote of 11 to 1. SB 653 was introduced on March 26, 2010, and referred to the Senate Committee on Children and Families and Workforce Development. On March 31, 2010, that committee recommended the bill for passage, on a vote of 4 to 1.

BACKGROUND

TANF Contingency Fund

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed public assistance from an entitlement to a capped block grant, the temporary assistance for needy families (TANF) block grant. A contingency fund was also established to provide additional matching grants to states during times of economic downturns if certain conditions were met. In order to receive a payment of contingency funds, a state must be a needy state.

DCF submitted a request for contingency funds in federal fiscal year (FFY) 2008-09, and the state was determined to be needy based on growth in the FoodShare caseload. The state was eligible for \$62.9 million in additional TANF contingency funds in FFY 2008-09.

Under provisions of 2009 Wisconsin Act 2, \$47.2 million of this amount was budgeted in

state fiscal year (SFY) 2008-09. The remainder of \$15.7 million was budgeted under 2009 Wisconsin Act 28 for SFY 2009-10.

TANF Emergency Fund

Eligibility. The federal American Recovery and Reinvestment Act of 2009 (ARRA) created a new emergency fund under the TANF block grant. The TANF emergency fund provides additional federal funding for states in FFY 2008-09 and FFY 2009-10 for increases in: (a) TANF caseload and basic assistance costs; (b) non-recurrent, short-term benefits; (c) subsidized employment; and (d) certain costs of running a summer food service site under the summer food service program.

Payments to States. The maximum amount that a state can receive over the two-year period is 50% of the state's annual TANF block grant amount. The funds may be spent on any TANF eligible activity, including activities other than those for which the funds are reimbursed. States may receive reimbursement only for spending that occurs prior to the end of FFY 2009-10 (September 30, 2010), but may carry over any unspent amount.

Maintenance of Effort and Matching Funds. The TANF emergency fund reimburses states for 80% of increased costs in these areas, even if the state has already budgeted for these costs. According to the Administration for Children and Families in DHHS, for subsidized employment, a jurisdiction may include employer costs for supervision and training in its costs for purposes of qualifying for 80% federal reimbursement. In addition, DHHS will allow the jurisdiction to count as employer supervision and training costs an amount of up to 25% of the individual's wages without requiring special documentation. This amounts to the 20% that the state must provide in order to receive the 80% federal reimbursement.

DCF Plan for TANF Emergency Funds. Wisconsin's TANF block grant amount is \$314.5 million annually. Therefore, Wisconsin is eligible for a maximum of \$157.3 million from TANF emergency funds under the federal ARRA. However, the TANF contingency fund award of \$62.9 million the state received in FFY 2008-09 counts against the maximum amount of TANF emergency funds for which the state is eligible. As a result, \$94.4 million in TANF emergency funds remains available.

DCF will apply for reimbursement of \$48.9 million of the remaining available TANF emergency funds for expenditures that have been made or are estimated to be made before September 30, 2010, due to increases in: (a) W-2 caseload (\$19.9 million); (b) non-recurrent, short-term benefits for the earned income tax credit and public benefits expenditures (\$22.8 million); and (c) subsidized employment through the transitional jobs demonstration project (\$6.2 million).

In addition, DCF hopes to access the remaining \$45.5 million from a broader public benefits claim. Public benefits include costs for the weatherization and low-income energy assistance programs in the Department of Administration. However, it is unknown whether these additional public benefit expenditures would be approved for reimbursement.

Under Act 28, \$5.6 million of TANF emergency funds has been budgeted in DCF in the current biennium for Wisconsin Works (W-2) and other TANF-related programs. If the state is successful in obtaining the entire \$94.4 million, the remaining \$88.8 million would be available to help fund the TANF budget over the remainder of this biennium, and in future years. Under Act 28, there was an estimated structural deficit in the TANF program of approximately \$52 million in each year of the next biennium.

Extension of TANF Emergency Funds. There is a federal proposal to extend the TANF emergency fund until September 30, 2011, and provide an additional \$2.5 billion for the fund. As a result, Wisconsin could be eligible for an additional \$78.6 million if this proposal is enacted. The federal Small Business and Infrastructure Jobs Tax Act of 2010 included this provision and was passed in the House of Representatives on March 24, 2010. It is currently awaiting action in the Senate.

CURRENT LAW

Trial Job Program

DCF administers the state's work program under the TANF block grant. Participants in the W-2 program are assigned by a local W-2 agency to either unsubsidized employment or one of three types of subsidized employment. Subsidized employment includes trial jobs, community services jobs, and transitional placements.

Trial jobs provide work experience and training to assist participants to move into unsubsidized employment. The W-2 agency must pay a wage subsidy to an employer that employs a participant in a trial job and agrees to make good faith efforts to retain the participant as a permanent, unsubsidized employee after the wage subsidy is terminated.

The trial job wage subsidy may not exceed \$300 per month for full-time employment of a participant. For less than full-time employment, the \$300 maximum wage subsidy is reduced to reflect the number of hours actually worked in proportion to full-time employment.

Trial jobs may include educational and training activities prescribed by the employer as an integral part of the work performed in the trial job placement. Hours spent participating in such activities are included in determining the number of hours actually worked.

Participants in trial jobs receive the amount established in a contract between the W-2 agency and the trial job employer. The employer pays participants no less than minimum wage for every hour worked in a trial job.

Transitional Jobs Demonstration Project

Provisions of 2009 Wisconsin Act 28 (the 2009-11 biennial budget act), require DCF to conduct a demonstration project, beginning January 1, 2010, that offers transitional jobs to low-

income adults. In order to be eligible for the demonstration project, an individual must satisfy all of the following criteria: (a) be at least 21 years of age, but not more than 64 years of age; (b) be ineligible for W-2; (c) have an annual household income below 150% of the federal poverty level; (d) be unemployed for at least four weeks; and (e) be ineligible to receive unemployment insurance benefits.

The demonstration project provides up to 2,500 transitional jobs. The jobs must be allocated among Milwaukee County, Dane County, Racine County, Kenosha County, Rock County, Brown County, and other regions of the state, as determined by DCF, in the same proportion as the total number of W-2 participants is allocated among those counties and other regions as of June 30, 2009.

Finally, DCF is required to seek federal funds to pay for the cost of operating the demonstration project and conduct the demonstration project only to the extent that DCF obtains federal funds.

SUMMARY OF BILLS

The bills would temporarily modify the trial job program and the transitional jobs demonstration project to provide increased wage subsidies to employers who hire participants in trial jobs and transitional jobs while federal funding under the TANF emergency fund is available for this purpose.

Trial Job Program

The trial job program would be modified to provide a wage subsidy to an employer equal to the amount of wages that the employer actually pays the participant, up to 40 hours per week at minimum wage, rather than \$300 per month under current law. The employer would also be required to employ the participant at least 20 hours per week at a location in Wisconsin. Finally, a participant would be allowed to work in an enhanced trial job for a maximum of 1,040 hours, including education and training activities.

Transitional Jobs Demonstration Project

Similar to the trial job program, the transitional jobs demonstration project would be modified to: (a) provide a wage subsidy to an employer equal to the amount of wages that the employer actually pays the participant, up to 40 hours per week at minimum wage; (b) require the employer to employ the participant at least 20 hours per week; and (c) allow a participant to work in a transitional job for a maximum of 1,040 hours. In addition, the transitional jobs demonstration project would specifically require the employer to pay the individual for hours actually worked, up to 40 hours per week, at not less than minimum wage.

The bills would also eliminate the maximum number of 2,500 transitional jobs and the allocation of these jobs among Milwaukee County, Dane County, Racine County, Kenosha County,

Rock County, Brown County, and other regions of the state, as determined by DCF, in the same proportion as the total number of W-2 participants are allocated among these counties and other regions as of June 30, 2009. As a result, the transitional jobs demonstration project would be a statewide program with no limit on the number of participants.

Finally, the bills would specify that employment of an individual in a transitional job could not do any of the following: (a) have the effect of filling a vacancy created by an employer terminating a regular employee or otherwise reducing its work force for the purpose of hiring an individual under the transitional jobs demonstration project; (b) fill a position when any other person is on layoff or strike from the same or a substantially equivalent job within the same organizational unit; or (c) fill a position when any other person is engaged in a labor dispute regarding the same or a substantially equivalent job within the same organizational unit.

W-2 Agency Requirements

The bills would require W-2 agencies to collaborate with local workforce development boards to connect individuals seeking employment with employment opportunities, including the enhanced trial job program and transitional jobs demonstration project, if the demonstration project is operating in the W-2 agency's geographical area.

Additional DCF Requirements

Reports on Progress. The bills would require DCF to submit a report to the Joint Committee on Finance within 30 days after the end of each calendar quarter. The report must outline DCF's progress in implementing the temporary expansion of the trial job program and the demonstration project and identify employers participating in the enhanced trial job program and the transitional jobs demonstration project.

Evaluation of Transitional Jobs Demonstration Project. The bills would require DCF to evaluate the demonstration project and its effectiveness in Milwaukee County, Dane County, Racine County, Kenosha County, Rock County, Brown County, and other regions of the state as determined by DCF. DCF would have to submit the evaluation to the Joint Committee on Finance and to the appropriate standing committees of the Legislature no later than June 30, 2011.

Determine Whether Payments are Matching Funds. The bills would require DCF to determine whether any state expenditures for the earned income tax credit and for the weatherization and low-income energy assistance programs qualify as state matching funds for TANF emergency funds under the federal ARRA.

Additional Funding. The bills would require DCF to take any actions that may be necessary to obtain additional funding for the enhanced trial job program and the transitional jobs demonstration project if any other federal funding becomes available for this purpose.

Department of Workforce Development Requirement

The bills would require the Department of Workforce Development (DWD) to publicize and maintain information to the enhanced trial job program and the transitional jobs demonstration project on its job center website so that employers and individuals seeking employment are able to obtain information about these programs, including how to participate in them.

Sunset Provision

The changes in the bills would be temporary. If DCF determines that the TANF emergency funds are no longer available to support the enhanced trial job program or the transitional jobs demonstration project, then DCF would have to publish a notice in the Wisconsin Administrative Register that states the date on which the federal moneys are depleted.

As a result, if DCF draws down the federal funds through other means (such as the public benefits claimed mentioned above under "Background"), DCF could then publish the notice that the TANF emergency funds are no longer available, and the changes in these bills would never take effect.

Effective Dates

The bills would take effect on the day after publication. The repeal of the changes in the bills would take effect on the date stated in the notice published by DCF in the Wisconsin Administrative Register.

FISCAL EFFECT

Both DCF and DWD were assigned to prepare a fiscal estimate for AB 898 and SB 653, but they have not yet been completed.

It is unknown how many participants and employers would participate in the enhanced trial job program and the transitional jobs demonstration project. However, the bills would appropriate an additional \$60 million FED annually (\$120 million in 2009-11) from TANF emergency funds for this purpose. In addition, the bills would increase the statutory allocation for W-2 benefits by \$60 million annually.

It should be noted that expenditures for the enhanced trial job program and transitional demonstration project would likely be far less than \$60 million annually. Historically, participation in the current trial job program has been less than 1% of the overall W-2 caseload. During the period January 1, 2009, through February 28, 2010, monthly participants in the trial job program ranged from one in March, 2009, to 19 in February, 2010. During this same time period, the overall W-2 caseload ranged from 6,853 in January, 2009, to 9,649 in February, 2010.

In addition, the real work, real pay pilot project provided enhanced wage subsidies to

employers, similar to these bills. During the period January 1, 2009, through December 31, 2009 (when the pilot project ended), the greatest number of participants in any month was 24 in May, 2009. Combined with the number of participants in the trial job program, the greatest number of participants in any month was 33 in June, 2009, which is less than 1% of the overall W-2 caseload.

Under these bills, for a full-time employee, the wage subsidy for the employer would total \$1,256 per month. Assuming 100 participants each month, which is three times the highest number of participants in both the trial job program and the real work, real pay pilot project combined, the costs would total \$125,700 per month. If the TANF emergency fund is extended until September 30, 2011, there would be a maximum of 18 months for which the enhanced programs under these bills would be eligible for TANF emergency funds (three months in 2009-10, 12 months in 2010-11, and three months in 2011-12). Therefore, the total cost of this program at 100 participants per month would be \$2.3 million (\$0.4 million in 2009-10, \$1.5 million in 2010-11, and \$0.4 million in 2011-12).

If these enhanced programs are much more successful than trial jobs have been historically, we can assume 1,000 participants per month. The total cost of the program at 1,000 participants per month would be \$22.7 million (\$3.8 million in 2009-10, \$15.1 million in 2010-11, and \$3.8 million in 2011-12).

However, because \$120 million FED would be appropriated and allocated for W-2 benefits under these bills, DCF would be able to reallocate any funds received from TANF emergency funds equal to or less than \$125.6 million (\$120 million under these bills and \$5.6 million under Act 28) for any TANF-related purpose with the approval of the Department of Administration (DOA). Section 49.175(2) of the Wisconsin statutes allows DCF to reallocate TANF funds that have already been allocated for any TANF purpose if the DOA Secretary approves the reallocation. This reallocation process is done without approval of the Joint Committee on Finance.

No additional GPR funding is provided. The bills would allow DCF to draw down additional TANF emergency funds that cannot be accessed through other means. Since the 20% match can be met by employer costs for training and supervision, no additional state funds would be needed. In addition, the enhanced funding would end once the federal TANF emergency funds, or any other qualifying federal funds, were no longer available.

Finally, the bills contain a clause that the required statutory balance under section 20.003(4) of the Wisconsin statutes would not apply to these bills. However, it should be noted that the statutory balance refers to the state's general fund, and the general fund would not be affected by these bills.

Prepared by: Kim Swissdorf