



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #849

### *Temporary Assistance for Needy Families*

### **Caretaker of a Newborn Infant (DWD -- Economic Support and Child Care)**

[LFB 2003-05 Budget Summary: Page 497, #8]

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#### **CURRENT LAW**

A person who meets the eligibility requirements for a Wisconsin Works (W-2) employment position, and who is a custodial parent of an infant who is 12 weeks old or less, may receive a monthly grant of \$673, unless another adult member of the W-2 group is participating in a W-2 employment position, or is employed in unsubsidized employment. The parent may not be required to participate in a W-2 employment position during the 12 weeks. Receipt of a caretaker of a newborn infant (CNI) grant does not constitute participation for purposes of federal and state time limits imposed on TANF and W-2 employment positions if the child was not born more than 10 months after the date the participant was first determined to be eligible for assistance for a W-2 employment position.

Participants in W-2 employment positions that receive TANF cash benefits are required to work a certain number of hours per week, and may be required to engage in education and training for a certain number of hours per week. Trial job participants do not have a number of required work hours, but are paid minimum wage for the number of actual hours worked. Community service job (CSJ) participants receive a grant of up to \$673 per month, may be required to work up to 30 hours per week, and may be required to participate in training activities for up to 10 hours per week. Participants in W-2 transitional placements receive a grant of up to \$628 per month, may be required to work up to 28 hours per week, and may be required to participate in education and training for up to 12 hours per week. Grants to persons in both CSJs and transitional placements are reduced by \$5.15 per hour for missed work or education and training activities.

W-2 participants are eligible to receive subsidies for child care for time spent in work activities, education and training activities, job search, and orientation activities required under W-2.

## **GOVERNOR**

Extend the amount of time an eligible custodial parent of an infant could receive a caretaker of newborn infant grant from 12 weeks, under current law, to six months, beginning on January 1, 2004. Net TANF funding would be reduced by \$1,564,300 in 2003-04 and \$2,610,700 in 2004-05 to reflect: (a) an increase in the W-2 contract allocations for W-2 benefits for individuals who would be eligible for the extended CNI grant (\$4,988,100 in 2003-04 and \$11,971,400 in 2004-05); and (b) a decrease in funding for child care subsidies to reflect that parents would be caring for their infants for an additional three months, would not be required to participate in work and training activities for that time, and would, therefore, not require child care (-\$6,552,400 in 2002-03 and -\$14,582,100 in 2004-05).

The provision would first apply to persons who are receiving a caretaker of a newborn infant grant, and to those who meet the eligibility requirements for W-2 and are the custodial parent of a child age six months old or less, on January 1, 2004.

## **DISCUSSION POINTS**

1. Under federal TANF law, states can exempt parents with children up to one year of age from worker participation requirements.
2. As of June 1, 2001, 23 states and the District of Columbia provided exemptions from state worker requirements for parents caring for infants up to the age of one year. Five states provided exemptions to parents caring for children older than one year. Four states provided exemptions to parents with children ranging somewhere between three months to one year. Thirteen states, including Wisconsin, provided exemptions for parents of infants who are up to 12 weeks, or three months, old. Two states allowed counties to determine the exemption periods, and three states provided no automatic exemptions.
3. The family and medical leave act (FMLA) requires certain employers to provide 12 weeks of unpaid leave to care for a family member, for their own physical/mental health care, and after the birth or adoption of a child.
4. Wisconsin's current exemption of 12 weeks is based on the FMLA provisions, and on the assumption that most employees get no more than 12 weeks of unpaid leave after the birth or adoption of a child.
5. Provisions to extend the time parents can receive grants to take care of newborn infants are estimated to save TANF funds because those families do not require child care. Child

care subsidies for families with children under one year currently average \$1,069 per month. This compares to the monthly CNI grant of \$673 per month. However, there is not a one-to-one savings, because only 50.9% of W-2 families with children under the age of one year use the child care subsidy program.

6. While extending the CNI eligibility period does save funds, proponents argue it is also good policy. There is much research on early child development and the effects of day care versus home care. Some research suggests that, for infants under the age of one year, separation from their mother for more than 20 hours per week may disrupt the development of attachment, and put some children at risk for social and emotional problems. In addition, some research indicates that warm, nurturing environments, with consistent, loving caretakers are needed for healthy brain development in children's early stages. Proponents of extended work exemptions for W-2 participants argue that the high cost of infant care and rapid turnover of child care workers make most child care settings available to low-income families unable to provide this type of nurturing environment. Other studies show that parents who are stressed and lack social supports are more likely to enroll their child in low-quality child care.

7. On the other hand, some studies indicate that day care may benefit low-income children. According to some research, high-quality care can prevent a drop in IQ that often occurs between 12 months and 30 months in home-reared, low-income children, and enhance their language and problem-solving skills. It can also result in greater curiosity, better concentration, and improved on-task behavior. However, as noted, there are concerns as to the quality of child care that low-income persons can afford and obtain.

8. In addition, some would argue that extending benefits for low-income parents of newborn infants without requirements that they participate in any type of work, education, or training activities would be a reversion to the types of disincentives that were believed to foster dependency under the former aid to dependent families with children (AFDC) program.

9. The bill would provide that on January 1, 2004, anyone who is eligible for W-2 and who is a custodial parent of a child who is six months old or less may receive a monthly grant of \$673, unless another member of the W-2 group is participating in a W-2 employment position, or otherwise employed in unsubsidized employment. As noted above, custodial parents who receive a CNI grant may not be required to participate in a W-2 employment position.

10. According to DOA officials, the intent of the extended benefit provision is that it would apply only to those who are receiving a CNI grant on January 1, 2004, and to those who are newly determined eligible for a CNI grant on or after January 1, 2004. As a result, under the provision, as intended, persons who had received a CNI grant, but have an infant who is 13 weeks to six months old, and are no longer receiving a CNI grant on January 1, 2004, could not become re-eligible for an extended CNI grant. However, the language under the bill does not differentiate between persons who may have received a CNI grant before January 1, 2004, and who would have a child between 13 weeks and six months old on January 1, 2004, when the provision would go into effect, and those who would be determined newly eligible for the program. The Committee could

modify the bill to conform to the administration's intent. If this change is not made, more families than intended by the administration would be able to receive an extended CNI grant.

11. For fiscal year 2002-03, the average monthly CNI caseload through March, 2003, was 1,328. Based on caseload projections, the bill assumes that, under current law, there would be an average of 1,482 CNI cases per month over the biennium, and that this would double to an average of 2,965 per month under the provision that would extend the grants from 12 weeks to six months. Based on past usage and the increased eligibility under the bill, these assumptions appear reasonable.

12. As noted, the administration estimates that the CNI proposal would produce net savings of \$1,564,300 in 2003-04 and \$2,610,700 in 2004-05. Estimated expenditures for cash benefits would increase by \$4,988,100 in the first year and \$11,971,400 in the second year, while child care costs would decrease in those years by \$6,552,400 and \$14,582,100, respectively.

13. Analysis of the Governor's proposal indicates that the administration's estimates should be adjusted to reflect the following factors:

a. As drafted, more families would be eligible for the extended CNI grant than assumed by the administration.

b. The administration's estimates do not account for the fact that some families (estimated at 31%) who would receive an extended CNI grant would otherwise be receiving a cash grant for participating in a W-2 employment position.

c. The administration's estimates assume that child care savings would be realized for the entire projected CNI caseload of 2,965 families per month rather than for just the additional caseload of 1,482 families per month.

d. The estimated child care savings should be further adjusted to account for actual child care usage rates (estimated at 50.9% for W-2 participants with children under one year), and higher average subsidy costs (\$1,069 per month) for families with young children.

14. Table 1 below provides revised estimates of the savings associated with extending the CNI grant from 12 weeks to six months, which account for the adjustments identified above. As shown below, reestimated net savings of the provision are projected at \$542,100 in 2003-04 and \$1,281,900 in 2004-05. Therefore, additional funding of \$1,022,200 in 2003-04 and \$1,328,800 in 2004-05 would be required to reflect the reestimated savings of the provision under the bill, for a total cost to the bill of \$2,351,000 over the biennium.

**TABLE 1**

**Comparison of Estimated Savings of Extending CNI Grants from 12 weeks to 6 Months Under the Bill and Reestimate**

	<u>Governor</u>		<u>Reestimate</u>		<u>Difference</u>	
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
W-2 Benefits	\$4,988,100	\$11,971,400	\$4,398,200	\$8,796,400	-\$589,900	-\$3,175,000
Child Care Subsidies	<u>-6,552,400</u>	<u>-14,582,100</u>	<u>-4,940,300</u>	<u>-10,078,300</u>	<u>1,612,100</u>	<u>4,503,800</u>
Net Savings	-\$1,564,300	-\$2,610,700	-\$542,100	-\$1,281,900	\$1,022,200	\$1,328,800

15. As noted above, the projected savings under the bill assume that the new provision would only apply to those who are receiving a CNI grant on January 1, 2004, or who would be determined newly eligible for a CNI grant on January 1, 2004. The reestimate is based on the language in the bill that would allow anyone who is determined eligible for W-2 and is the custodial parent of a child six months old or less to receive a CNI grant. If the Committee modified the language to reflect the Governor's intent that the provision would only apply to those who are newly determined eligible for W-2 on or after January 1, 2004, the estimated savings would be reduced by another \$105,100 in 2003-04 (including decreased W-2 benefit costs of \$718,300 in 2003-04 and increased child care subsidy costs of \$823,400).

16. While the provision to limit eligibility as intended by the Governor would only affect two months worth of participation, it could be considered arbitrary and unfair to those parents who, because of timing, would not be eligible to receive a grant to stay home with their infant who may have just turned 13 weeks old on January 1, 2004.

17. If the Committee wished to adopt the provision to extend CNI grants at the level of savings assumed under the bill, the Committee could consider reducing the amount of the CNI grant from \$673 per month to \$625 per month. Currently, the average monthly grant for persons in paid W-2 employment positions is \$545.80 per month. Therefore, under this option, the CNI grant would still be well above the average grant amount earned in W-2 employment positions. The projected savings under this alternative would be \$1,396,000 in 2003-04 and \$2,989,500 in 2004-05 including: (a) a net increase in W-2 benefit costs for CNI grants of \$3,544,400 in 2003-04 and \$7,088,800 in 2004-05; and (b) child care subsidy savings of \$4,940,400 in 2003-04 and \$10,078,300 in 2004-05. Compared to the bill, costs would increase by \$168,300 in 2003-04 and decrease by \$378,800 in 2004-05, for a net savings of \$210,500 over the biennium.

18. Another option to achieve the level of savings assumed under the bill would be to maintain the CNI grant amount at the current level for custodial parents of infants up to 12 weeks old, and provide a reduced grant amount for those that would receive extended grants under the bill. In order to achieve the level of savings assumed under the bill, the grant amount for custodial parents of infants age 13 weeks to six months would have to be reduced to \$580 per month. The

reduced grant level would still be higher than the current average grant earned by participants in W-2 employment positions of \$545.80 per month. The projected savings under this alternative would be \$1,369,300 in 2003-04 and \$2,936,200 in 2004-05 including: (a) a net increase in W-2 benefit costs for CNI grants of \$3,571,000 in 2003-04 and \$7,142,100 in 2004-05; and (b) child care subsidy savings of \$4,940,300 in 2003-04 and \$10,078,300 in 2004-05. Compared to the bill, costs would increase by \$195,000 in 2003-04 and decrease by \$325,500 in 2004-05, for a net biennial savings of \$130,500.

## ALTERNATIVES

1. Adopt the Governor's proposal to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to six months, beginning on January 1, 2004, and provide funding of \$1,022,200 FED in 2003-04 and \$1,328,800 FED in 2004-05 to reflect a reestimate of the savings under the bill. Projected net savings under this alternative would total \$542,100 in 2003-04 and \$1,281,900 in 2004-05, including: (a) increased funding of \$4,398,200 in 2003-04 and \$8,796,400 in 2004-05 for W-2 benefits; and (b) reduced funding of \$4,940,300 in 2003-04 and \$10,078,300 in 2004-05 for child care subsidies.

<u>Alternative 1</u>	<u>FED</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$2,351,000

2. Modify the Governor's proposal to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to six months, beginning on January 1, 2004, to clarify the Governor's intent that it would apply only to those who would be determined newly eligible for a CNI grant on or after January 1, 2004. Provide funding of \$1,127,300 FED in 2003-04 and \$1,328,800 FED in 2004-05 to reflect a reestimate of savings under the modified provision. Projected net savings under this option would total \$437,000 in 2003-04 and \$1,281,900 in 2004-05, including: (a) increased funding of \$3,679,900 in 2003-04 and \$8,796,400 in 2004-05 for W-2 benefits; and (b) reduced funding of \$4,116,900 in 2003-04 and \$10,078,300 in 2004-05 for child care subsidies.

<u>Alternative 2</u>	<u>FED</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$2,456,100

3. Amend the Governor's proposal to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to six months, beginning on January 1, 2004, to reduce the monthly W-2 grant paid to custodial parents of newborn infants from the current level of \$673 to \$625. Provide funding of \$168,300 FED in 2003-04 and decrease funding by \$378,800 FED in 2004-05, for net savings to the bill of \$210,500. Projected net savings under this alternative would total \$1,396,000 in 2003-04 and \$2,989,500 in 2004-05, including: (a) increased funding of \$3,544,400 in 2003-04 and \$7,088,800 in 2004-05 for

W-2 benefits; and (b) reduced funding of \$4,940,400 in 2003-04 and \$10,078,300 in 2004-05 for child care subsidies.

<u>Alternative 3</u>	<u>FED</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$210,500

4. Amend the Governor's proposal to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to six months, beginning on January 1, 2004, to reduce the monthly W-2 grant paid to custodial parents of newborn infants between the ages of 13 weeks and six months from \$673 provided under the bill to \$580. The current CNI grant level of \$673 per month would be maintained for custodial parents of infants up to 12 weeks old. Provide funding of \$195,000 FED in 2003-04 and decrease funding by \$325,500 FED in 2004-05, for net savings to the bill of \$130,500. Projected net savings under this option would total \$1,369,300 in 2003-04 and \$2,936,200 in 2004-05, including: (a) increased funding of \$3,571,000 in 2003-04 and \$7,142,100 in 2004-05 for W-2 benefits; and (b) reduced funding of \$4,940,300 in 2003-04 and \$10,078,300 in 2004-05 for child care subsidies.

<u>Alternative 4</u>	<u>FED</u>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$130,500

5. Delete provision. Compared to the bill, net funding of \$1,564,300 FED in 2003-04 and \$2,610,700 FED in 2004-05 would need to be restored, including: (a) reduced funding of \$4,988,100 in 2003-04 and \$11,971,400 in 2004-05 for W-2 cash benefits; and (b) increased funding of \$6,552,400 in 2003-04 and \$14,582,100 in 2004-05 for child care subsidies.

<u>Alternative 5</u>	<u>FED</u>
<b>2003-05 FUNDING</b> (Change to Bill)	\$4,175,000

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