



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #212

Wisconsin Works Cash Benefit (DCF -- Economic Support and Child Care)

[LFB 2011-13 Budget Summary: Page 99, #2]

CURRENT LAW

The Department of Children and Families (DCF) administers Wisconsin Works (W-2), the state's work program under the federal temporary assistance for needy families (TANF) block grant program. Participants in W-2 are assigned by the local W-2 agency to either unsubsidized employment or one of three types of subsidized employment: (a) trial jobs; (b) community service jobs (CSJs); or (c) transitional placements. Participants in CSJs and transitional placements may also participate in the technical college program. Finally, W-2 grants may be provided to caretakers of newborn infants (CNIs) and to at-risk pregnant women.

Trial Jobs. 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 employer is also required to provide worker's compensation coverage. 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.

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 the state or federal minimum wage, whichever is applicable, for every hour worked in a trial job. Currently, the state and federal minimum wage is generally \$7.25 per hour.

Community Service Jobs. CSJs are intended to provide work experience and training to assist participants to move into unsubsidized employment or a trial job. CSJs are limited to projects that DCF determines would serve a useful public purpose or to projects whose cost is partially or wholly offset by revenue generated by such projects.

Participants in CSJs receive a monthly grant of \$673. For every hour that the participant misses required work or education activities without good cause, the grant is reduced by \$5.15, based on the federal minimum wage at the time this grant amount went into effect.

Transitional Placements. In order to be eligible for a W-2 transitional placement, an individual must meet one or more of the following eligibility requirements: (a) the individual has been incapacitated for a period of at least 60 days or will be incapacitated for a period of at least 60 days; (b) the individual is needed in the home because of the illness or incapacity of another member of the W-2 group; or (c) the individual is incapable of performing a trial job or CSJ.

Participants in transitional placements receive monthly grants of \$628. For every hour that the participant misses required work or education activities without good cause, the grant is reduced by \$5.15.

Technical College Program. Participants in CSJs and transitional placements may participate in the technical college program if all of the following requirements are met: (a) the W-2 agency, in consultation with the community steering committee required under W-2 and the technical college district board, determines that the technical college education program is likely to lead to employment; (b) the participant maintains full-time status in the technical college education program, as determined by the technical college, and regularly attends all classes; (c) the participant maintains a grade point average of at least 2.0, or the equivalent as determined by the technical college; and (d) the participant is employed or engages in a CSJ or transitional placement for 25 hours per week. Participants can be in this program for a maximum of two years.

CSJ participants in the technical college program receive a monthly grant of \$673. Transitional placement participants in the technical college program receive a monthly grant of \$628.

Caretaker of Newborn Infant. A person who meets the eligibility requirements for a W-2 employment position, and who is a custodial parent of an infant who is 12 weeks old or less, may receive a monthly CNI grant of \$673, unless another member of the W-2 group is participating in a W-2 employment position, or is employed in unsubsidized employment.

At-Risk Pregnant Women. Finally, a pregnant woman may receive a monthly grant of \$673 if she: (a) would be eligible for a W-2 employment position except that she is not a custodial parent of a dependent child; and (b) is in the third trimester of a pregnancy that is medically verified and shown by medical documentation to be at-risk, such that the woman is unable to participate in the workforce.

GOVERNOR

Decrease the grant amount for CSJ placements and CSJ technical college placements from \$673 per month to \$653 per month and decrease the grant amount for transitional placements and transitional technical college placements from \$628 per month to \$608 per

month. Reduce funding for W-2 benefits by \$3,100,600 FED in 2011-12 and by \$2,480,400 FED in 2012-13 to reflect the lower grant amounts. These reductions would first apply to individuals who are participating in W-2 on the effective date of the bill.

Grants for CNIs and at-risk pregnant women would remain at \$673 per month.

DISCUSSION POINTS

Background

1. The W-2 program was created under 1995 Wisconsin Act 289 to replace the former aid to families with dependent children (AFDC) program. The purpose of the W-2 program was to eliminate the cash entitlements under AFDC and, instead, require recipients of public assistance to work in unsubsidized employment or in government-subsidized trial jobs and community service jobs. Individuals who were incapacitated could be assigned to transitional placements with more limited work requirements.

2. Provisions of Act 289 authorized a W-2 agency to require a CSJ participant to work up to 30 hours per week in the CSJ and to participate in educational and training activities up to 10 hours per week, for a total of 40 hours per week. Transitional placements could be required to engage in work activities for up to 28 hours per week and to participate in education and training activities for up to 12 hours per week, for a total of 40 hours per week.

3. Monthly grants for participants in CSJs were initially established at \$555. For every hour that the participant missed required work or educational activities without good cause, the grant was reduced by \$4.25. At the time Act 289 was enacted, the minimum wage was \$4.25 per hour. The grant amount of \$555 represented the amount an individual would earn per month at minimum wage for 30 hours of work per week.

4. Monthly grants for participants in transitional placements were initially established at \$518. For every hour that the participant failed to participate in a required activity without good cause, the grant was reduced by \$4.25. The grant amount of \$518 represented the amount an individual would earn per month at minimum wage for 28 hours of work per week.

5. In 1997, the federal minimum wage increased to \$5.15 per hour. In his 1997-99 biennial budget, Governor Thompson recommended increasing the monthly CSJ grant to \$673, the monthly transitional placement grant to \$628 per month, and the hourly sanction amount for noncompliance with work and education requirements to \$5.15 per hour. The monthly CSJ grant of \$673 represented the amount an individual would earn per month at the new minimum wage for 30 hours of work per week. The monthly transitional placement grant of \$628 represented the amount an individual would earn per month at the new minimum wage for 28 hours of work per week. These requested changes were enacted in 1997 Wisconsin Act 27.

6. The technical college program was established in 1999 Wisconsin Act 9 to allow CSJ and transitional placements to participate in a technical college program. A CSJ participant in a technical college program still received the monthly grant of \$673. A transitional placement

participant in a technical college program still received the monthly grant of \$628.

7. The federal minimum wage was increased to \$5.85 in 2007, \$6.55 in 2008, and \$7.25 in 2009. The current minimum wage is still \$7.25. The amount of the monthly grants for CSJs (\$673) and transitional placements (\$628) has not been changed since 1997.

Senate Bill 27 and Assembly Bill 40

8. The budget bill would reduce funding for W-2 benefits by \$3,100,600 FED in 2011-12 and by \$2,480,400 FED in 2012-13 to reflect the reduction in the amount of the monthly grants for CSJs and CSJs in the technical college program from \$673 to \$653 and the reduction in the amount of the monthly grants for transitional placements and transitional placement participants in the technical college program from \$628 to \$608 (Alternative A1). The hourly sanction would remain at \$5.15 (the minimum wage in effect at the time the grant amounts of \$673 and \$628 were established).

9. The new grant amounts of \$653 and \$608 under the bill would represent a wage of approximately \$5.00 per hour. If the Committee adopts the Governor's proposal, the Committee could choose to also reduce the sanction amount for missed work activities from \$5.15 per hour to \$5.00 per hour, effective October 1, 2011 (Alternative D1).

10. The administration indicates that a reduction in the monthly grants would be a disincentive for individuals receiving a grant to continue in the program. However, under both federal and state law, there is a 60-month time limit for participation in the W-2 program, which provides an incentive for a participant to find employment before the cash benefit is terminated. On the other hand, the 60-month time limit may be extended if the W-2 agency determines that unusual circumstances warrant an extension.

11. "Unusual circumstances" is defined in rule as the W-2 participant: (a) being unable to work because of a personal disability, or is needed at home to care for a member of the W-2 group whose incapacity is so severe that without in-home care provided by the W-2 participant the incapacitated W-2 group member's health and well-being would be significantly affected; (b) having low achievement ability, a learning disability, or emotional problems of such severity that they prevent the individual from obtaining or retaining employment, but are not sufficient to meet the criteria for eligibility for supplemental security income (SSI) or social security disability income (SSDI); (c) having severe family problems that prevent the W-2 participant from obtaining or retaining employment; or (d) having made all appropriate efforts to find work and being unable to find employment because local labor market conditions preclude finding a job that pays minimum wage and conforms to all applicable federal and state laws.

12. Under federal law, states may exempt up to 20% of the average monthly number of families receiving assistance in a year from the 60-month time limit by reason of hardship or if the family includes a member who has been battered or subjected to extreme cruelty. Based on a total caseload under the TANF block grant program of 25,579 in March, 2011, including W-2 and TANF child-only cases (kinship care and caretaker supplement recipients), the maximum number of cases that could exceed the 60-month time limit under this provision would be 5,116. As of March, 2011,

there were 832 active extension cases in the W-2 program.

13. In addition, the administration indicates that reducing the monthly grant amount for CSJs, transitional placements, and the technical college placements would help contain costs in the W-2 program, which would make TANF funding available for other TANF programs. If the Committee chooses to reduce these grants by \$20 each month, Alternatives A2 through A4 provide different savings estimates based on differing W-2 caseload assumptions. Alternative A2 provides a reestimate of the Governor's proposal with the caseloads assumed under the bill. Alternatives A3 and A4 correspond with the assumed caseloads for the W-2 benefits estimates under Alternatives A2 and A3 under the "W-2 Agency Contracts" issue paper [LFB Paper #211]. In addition, DCF has requested an effective date of October 1, 2011, for time to implement the required changes. Therefore, Alternatives A2 through A4 show smaller savings in the first year to reflect delayed implementation.

Minimum Wage-Based Grant

14. Because the original intent of the grant amount was to represent minimum wage for a 30/28 hour work week, the Committee could choose to increase the grant amount to represent the current minimum wage of \$7.25 per hour, effective October 1, 2011 (Alternatives B1 through B3). The grant amount for CSJs and CSJs in the technical college program would increase from \$673 per month to \$940. The grant amount for transitional placements and transitional placements in the technical college program would increase from \$628 per month to \$880 per month.

15. Additional costs for the W-2 program would vary depending on the caseload assumptions used. Using the caseload assumptions under the bill, additional W-2 benefits costs compared to the bill would total \$29,500,000 FED in 2011-12 and \$31,000,000 FED in 2012-13 (Alternative B1). Using the same caseload assumptions as Alternative A2 under the "W-2 Agency Contracts" issue paper, additional W-2 benefits costs compared to the bill would total \$29,600,000 FED in 2011-12 and \$37,800,000 FED in 2012-13 (Alternative B2). Finally, using the same caseload assumptions as Alternative A3 under the "W-2 Agency Contracts" issue paper, additional W-2 benefits costs compared to the bill would total \$34,300,000 FED in 2011-12 and \$37,700,000 FED in 2012-13 (Alternative B3).

16. If the Committee chooses to adopt an alternative from Alternative B1 through Alternative B4, the Committee may also choose to change the hourly sanction amount for missed work activities from \$5.15 per hour to \$7.25 per hour, effective October 1, 2011 (Alternative D2).

17. It should also be noted that the grant amounts of \$673 for CSJs and CSJs in the technical college program and of \$628 for transitional placements and transitional placements in the technical college program have not been adjusted for inflation since established in 1997. Adjusting for consumer price index increases since the grants were established in 1997, the grants would be approximately \$930 for CSJs and \$870 for transitional placements. These grant amounts are slightly less than the grant amounts under the current minimum wage of \$7.25 per hour.

Grant Amount Based on Other States

18. On the other hand, Wisconsin's monthly grant amount has been more generous than

neighboring states since 1996. The following table shows the monthly grant amount for neighboring states in 1996, 2000, 2004, and 2009, and shows the increase for these states since 1996, if any. This information was provided in the Welfare Rules Databook, published in August, 2010, by the Urban Institute. The table shows Wisconsin's CSJ grant amount (the higher amount).

TABLE 1

**Monthly TANF Grant Amount
Nearby States
1996, 2000, 2004, and 2009**

<u>State</u>	<u>1996</u>	<u>2000</u>	<u>2004</u>	<u>2009</u>	<u>Increase Since 1996</u>
Illinois	\$377	\$377	\$396	\$432	\$55
Indiana	288	288	288	288	0
Iowa	426	426	426	426	0
Michigan	459	459	459	492	33
Minnesota	532	532	532	532	0
Ohio	341	373	373	434	93
Wisconsin	555	673	673	673	118
Average	\$425	\$447	\$450	\$468	\$43

It should be noted that the grant amounts for the states represents a maximum monthly benefit for a family of three with no income. In Wisconsin, the maximum monthly benefit is the same regardless of family size.

19. As shown in the table, of the seven neighboring states, Wisconsin has the most generous monthly grant for TANF recipients. Wisconsin's monthly grant is \$141 more per month than the next highest grant (Minnesota) and \$385 per month more than the lowest grant (Indiana). Three of the states did not increase their monthly grant from 1996 to 2009 (Indiana, Iowa, and Minnesota).

20. The Committee could move away from the model of paying a monthly grant in the amount equivalent to paying minimum wage for the work requirements (30 hours per week for CSJs and 28 hours per week for transitional payments). Instead, the Committee could reduce the monthly grant for CSJs to \$434 per month, which is approximately the average of monthly grant amounts of the neighboring states excluding Wisconsin, and reduce the transitional placement grant to \$405 per month, effective October 1, 2011 (Alternatives C1 through C3).

21. Using the caseload assumptions under the bill, W-2 benefits savings would total \$20,400,000 FED in 2011-12 and \$22,900,000 FED in 2012-13 (Alternative C1). Using the same caseload assumptions as Alternative A2 under the "W-2 Agency Contracts" issue paper [LFB Paper #211], additional W-2 benefits savings would total \$20,500,000 FED in 2011-12 and \$29,000,000 FED in 2012-13 (Alternative C2). Finally, using the same caseload assumptions as Alternative A3

under the "W-2 Agency Contracts" issue paper, additional W-2 benefits savings would total \$24,700,000 FED in 2011-12 and \$28,900,000 FED in 2012-13 (Alternative C3). If the Committee adopts an alternative that changes the grant amounts to \$434/\$405 per month, the Committee may choose to adopt an hourly sanction for missed work equal to the hourly amount of \$3.34 per hour, effective October 1, 2011, which approximates the hourly wage under these monthly grant amounts (Alternative D3).

22. However, DCF cautions that because federal law under TANF allows flexibility for states to design their own work programs, the monthly benefit amount alone may not provide an adequate comparison among states. Other states may be more generous to TANF recipients in other ways. For example, other states may allow a higher level of assets and/or income in order to qualify for TANF assistance. The TANF monthly grant may be smaller, but the recipient may be allowed to have more in assets and/or income in order to qualify for a grant. Other differences may include: (a) other states provide bigger monthly grants for larger families, while Wisconsin provides a flat grant regardless of family size; (b) other states may more generously prorate a grant as the recipient earns more income to transition the recipient into unsubsidized employment; or (c) other states may offer state programs, in addition to the federal TANF program, which supplement the monthly TANF grant. Separate state programs are not included in the Welfare Rules Databook.

23. As a result, while Wisconsin's monthly grant amount appears generous in comparison to neighboring states, other unknown factors may influence the total assistance given to a TANF recipient. The Committee could delete the Governor's provision and maintain current law grant amounts of \$673 for CSJs and CSJs in the technical college program and \$628 for transitional placements and transitional placements in the technical college program (Alternative E1).

ALTERNATIVES

A. \$20 Benefit Reduction

1. Approve the Governor's recommendation to reduce W-2 benefits funding by \$3,100,600 FED in 2011-12 and by \$2,480,400 FED in 2012-13 to reflect a reduction in the grant amount for CSJ placements and CSJ technical college placements from \$673 per month to \$653 per month and the grant amount for transitional placements and transitional technical college placements from \$628 per month to \$608 per month.

2. Modify the Governor's recommendation, beginning October 1, 2011, to provide \$1,085,700 FED in 2011-12 and \$305,100 FED in 2012-13 to reflect a \$20 benefit reduction based on the caseload amounts estimated under the bill of 12,834 in 2011-12 and 10,071 in 2012-13.

ALT A2	Change to Bill Funding
FED	\$1,390,800

3. Modify the Governor's recommendation, beginning October 1, 2011, to provide

\$1,080,100 FED in 2011-12 and to reduce funding by \$213,600 FED in 2012-13 to reflect a \$20 benefit reduction based caseloads from Alternative A2 under the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT A3	Change to Bill Funding
FED	\$866,500

4. Modify the Governor's recommendation, beginning October 1, 2011, to increase funding by \$722,800 FED in 2011-12 and reduce funding by \$205,100 FED in 2012-13 to reflect a \$20 benefit reduction based on caseloads in Alternative A3 under the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT A4	Change to Bill Funding
FED	\$517,700

B. Minimum Wage-Based Grant

1. Modify the Governor's proposal, beginning October 1, 2011, to provide \$29,500,000 FED in 2011-12 and \$31,000,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$940 and a monthly transitional and transitional college grant of \$880 based on the current minimum wage of \$7.25 per hour. This alternative reflects the caseloads under the bill.

ALT B1	Change to Bill Funding
FED	\$60,500,000

2. Modify the Governor's proposal, beginning October 1, 2011, to provide \$29,600,000 FED in 2011-12 and \$37,800,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$940 and a monthly transitional and transitional college grant of \$880 based on the current minimum wage of \$7.25 per hour. This alternative reflects the caseloads under the Alternative A2 of the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT B2	Change to Bill Funding
FED	\$67,400,000

3. Modify the Governor's proposal, beginning October 1, 2011, to provide \$34,300,000 FED in 2011-12 and \$37,700,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$940 and a monthly transitional and transitional college grant of \$880 based on the

current minimum wage of \$7.25 per hour. This alternative reflects the caseloads under Alternative A3 of the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT B3	Change to Bill Funding
FED	\$72,000,000

C. Grant Based on Average of Neighboring States

1. Modify the Governor's proposal, beginning October 1, 2011, to reduce funding by \$20,400,000 FED in 2011-12 and \$22,900,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$434 and a monthly transitional and transitional college grant of \$405 based on the average grant of neighboring states. This alternative reflects the caseloads under the bill.

ALT C1	Change to Bill Funding
FED	- \$43,300,000

2. Modify the Governor's proposal, beginning October 1, 2011, to reduce funding by \$20,500,000 FED in 2011-12 and \$29,000,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$434 and a monthly transitional and transitional college grant of \$405 based on the average grant of neighboring states. This alternative reflects the average caseloads under the Alternative A2 of the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT C2	Change to Bill Funding
FED	- \$49,500,000

3. Modify the Governor's proposal, beginning October 1, 2011, to reduce funding by \$24,700,000 FED in 2011-12 and \$28,900,000 FED in 2012-13 to reflect a monthly CSJ and CSJ technical college grant of \$434 and a monthly transitional and transitional college grant of \$405 based on the average grant of neighboring states. This alternative reflects the caseloads under Alternative A3 of the "W-2 Agency Contracts" issue paper [LFB Paper #211].

ALT C3	Change to Bill Funding
FED	- \$53,600,000

D. Hourly Sanction Amount

1. In addition to Alternative A1, A2, A3, or A4, modify current law, beginning October 1, 2011, to specify that the hourly sanction for failing to participate in a required W-2 activity must be \$5.00, rather than \$5.15 per hour.

2. In addition to Alternative B1, B2, or B3, modify current law, beginning October 1, 2011, to specify that the hourly sanction for failing to participate in a required W-2 activity must be \$7.25, rather than \$5.15 per hour.

3. In addition to Alternative C1, C2, or C3, modify current law, beginning October 1, 2011, to specify that the hourly sanction for failing to participate in a required W-2 activity must be \$3.25, rather than \$5.15 per hour.

E. Current Law

1. Delete provision. Monthly grant amounts for CSJs and CSJ technical college placements of \$673 and for transitional and transitional college placements of \$628 would remain the same as under current law.

ALT E1	Change to Bill
	Funding
FED	\$5,581,000

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