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Joint Committee on Finance

Paper #186

Transform Milwaukee Jobs for Childless Adults (Children and Families -- Economic Support and TANF-Funded Programs)

[LFB 2019-21 Budget Summary: Page 69, #12]

CURRENT LAW

Transform Milwaukee and Transitional Jobs. The Transform Milwaukee Jobs program offers training and subsidized work to low-income individuals in Milwaukee County and provides employers with a wage subsidy to offset costs of hiring program participants. In contrast with W-2, childless individuals may qualify for the Transform Milwaukee Jobs program under certain conditions, and the income eligibility limit is higher (150% of the federal poverty level, which is \$18,735 for a single individual in 2019).

Transform Milwaukee Jobs has two target populations: the general public and individuals ages 18 to 24 years old who were in out-of-home care at or after age 16. The Department of Children and Families (DCF) contracts with United Migrant Opportunity Services/UMOS Inc. (UMOS), to serve the general population and with the Milwaukee Area Workforce Development Board to serve the out-of-home care population.

To be eligible to participate in the program, an individual must: (a) be at least 18 years of age; (b) if older than 24 years of age, be a parent of a child under age 18 or be a relative and primary caregiver of a child under age 18; (c) have an annual household income below 150% of the FPL; (d) be unemployed for at least four weeks; (e) be ineligible to receive unemployment insurance benefits; (f) not be participating in a W-2 employment position; and (g) satisfy certain controlled substances screening, testing, and treatment requirements.

Furthermore, pursuant to the Transform Milwaukee Jobs policy manual, members of the general public that meet the eligibility requirements listed above must either be a young childless adult between 18 to 24 years of age, or a parent with a child support order, a reunification plan, or

an ex-offender. However, these additional requirements do not apply to individuals between 18 to 24 years of age who were in out-of-home care at or after age 16.

Under the program, DCF may reimburse an employer or contractor for a minimum of 20 hours per week for any of the following costs that are attributable to the employment of an eligible individual: (a) a wage subsidy equal to the amount of wages paid to the individual for hours actually worked, not to exceed 40 hours per week at the applicable federal or state minimum wage; (b) federal Social Security and Medicare taxes; (c) state and federal unemployment taxes; and (d) worker's compensation insurance premiums. An employer or, subject to DCF's approval, a contractor, may pay a participant an amount that exceeds the wage subsidy. Participants can work in the program for a maximum of 1,040 hours.

Subsequent to the enactment of the Transform Milwaukee Jobs program, 2013 Act 113 authorized DCF to establish a similar program in areas outside of Milwaukee County, to the extent funding is available. DCF must give priority to areas with relatively high rates of unemployment and childhood poverty and other areas with special needs that DCF prioritizes. The same eligibility and program requirements apply to both programs. The Transitional Jobs program has expanded to Adams, Ashland, Bayfield, Clark, Florence, Forest, Iron, Jackson, Juneau, Langlade, Menominee, Racine, Rock (only in the City of Beloit), Rusk, Sawyer, and Taylor Counties.

In 2018-19, \$8,000,000 FED (TANF) is budgeted for the program.

Temporary Assistance for Needy Families (TANF). Under federal law, there are three ways in which a state may use TANF funds. First, a state may transfer up to 30% of the TANF block grant to the programs funded by the federal child care block grant and the social services block grant (but no more than 10% to programs funded under the social services block grant). Second, a state may expend TANF funds for any use that was allowable under the previous aids to families with dependent children (AFDC) programs that were replaced by TANF. Third, a state may expend TANF funds in any manner that is reasonably calculated to accomplish one of the four purposes of the TANF program: (1) to provide assistance to needy families so children may be cared for in their homes or in the homes of relatives; (2) to end the dependence of needy parents on government by promoting job preparation, work, and marriage; (3) to prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent families.

Programs that meet the first or second purposes of TANF must serve needy families or parents. Generally, this is limited to families with children having income and assets at or below the income or asset levels set by the state in the TANF plan submitted to the federal government. Programs that meet the third and fourth purposes of the TANF program can serve both needy and non-needy families.

Federal regulations make a distinction between expenditures that provide "assistance" and those that do not. Expenditures that are classified as "assistance" include cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs, such as food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses. These benefits also include supportive services, such as child care and transportation, for unemployed

families. They do not include work subsidy payments to employers to cover the costs of employee wages. If the expenditure is for "assistance," then certain requirements apply under federal law.

GOVERNOR

Provide \$500,000 GPR annually to create a program identical to the Transform Milwaukee Jobs program for childless adults over the age of 24. The bill would not extend the program outside the Milwaukee County.

DISCUSSION POINTS

1. Assuming that wage subsidies and other reimbursements for each participant would cost approximately \$10,000 on average (1,040 hours of participation at minimum wage plus payments for other costs of employment), it is estimated that providing \$500,000 could provide capacity for 50 participants each year. By contrast, there were 1,009 total participants in Transform Milwaukee Jobs in 2018 and 395 participated in February, 2019.

2. However, the funding increase recommended by the Governor is intended to expand the program to provide subsidized employment opportunities for individuals that do not qualify for the current program due to the current age requirements and restrictions on the use of federal TANF funding. For example, the expanded program could provide subsidized employment opportunities for individuals over the age of 24 with criminal records and other individuals that have difficulty finding unsubsidized employment. For these reasons, the Committee could approve the Governor's recommendation and provide \$500,000 GPR annually to create a program substantially identical to Transform Milwaukee Jobs for childless adults in Milwaukee County (Alternative 1).

3. The new program would have administrative costs that could not be shared with the existing Transform Milwaukee Jobs program because federal law restricts commingled funding structures.

4. Federal policy guidance has clarified that states have discretion to provide non-assistance benefits, such as subsidized private sector employment, to youth under the age of 25 when the non-assistance benefits are reasonably calculated to accomplish the first TANF purpose. This is because federal law limits TANF assistance to a minor child, whereas the first TANF purpose refers to "children" as opposed to a "minor child." Federal guidance has also clarified that TANF funding cannot be used for non-assistance programs, such as subsidized private sector employment, to serve childless adults age 25 or older. Such persons are neither children nor parents, and hence the first TANF purpose would not be applicable.

5. Thus, combining TANF funds with state funds for the costs of the proposed program for childless adults, such as by using a preexisting contract for administration of Transform Milwaukee Jobs, utilizing staff for operations whose salaries are in part funded with TANF, or by storing data in a TANF funded data system, would result in TANF restrictions on expenditures applying to the separate state program. Since this would result in the entire childless adult population over the age of

25 becoming ineligible for wage subsidies, commingling funding sources and expenditures in this manner would effectively terminate the program.

6. As a result, only state funding could be used for the administrative costs of the childless adult program. The state may create its own separate state program, funded with GPR, to provide subsidized private sector employment for such persons. DCF may also use existing program resources to the extent that they are allocated solely to state funding and are not TANF supported.

7. Therefore, in addition to providing for the costs of subsidizing private sector employment, the funding provided by the bill would also need to provide for the costs of implementing and administering a program, which allocates a portion of staff and administrative resources to GPR funding. Consequently, it is likely that the level of funding provided under the bill would not be sufficient to provide capacity for 50 participants a year in Milwaukee County.

8. If the Committee wishes to approve the Governor's proposal, it may also wish to provide additional GPR funding to administer the program. It is estimated that an additional \$363,000 GPR and 1.25 GPR position, beginning in 2019-20, would be needed to administer the program (Alternative 2). Under this option, DCF would amend the current Transform Milwaukee contract and use existing resources funded solely with GPR to increase the scope of services for childless adults. For example, DCF would allocate a portion of existing staff and administrative systems and information technology processes to GPR funding that is not counted as maintenance of effort under federal TANF regulations.

9. The additional funding would be used to support the following costs: (a) \$18,000 to modify the existing information technology resources; (b) \$124,900 for staff costs for 1.0 FTE employee and 0.25 FTE supervisor; and (c) \$170,100 for various administrative costs, such as rent, charging staff time to GPR, and other supplies and services. Further, DCF indicates that ongoing information technology costs would be \$50,000 annually.

10. Alternatively, because Transform Milwaukee Jobs is limited to Milwaukee County, the proposed childless adult Transform Milwaukee program would not provide funding for wage subsidies for childless adults in the remainder of the state. The Committee could decide to provide additional funding of \$880,000 GPR annually to establish a similar program outside of Milwaukee County for childless adults that is substantially identical to Transitional Jobs (Alternative 3). This funding would also allow DCF to administer the program separately from the TANF-funded Transitional Jobs and Transform Milwaukee Jobs programs.

11. Finally, the Committee could decide to reject the Governor's proposal and instead expand the Transform Milwaukee and Transitional Jobs program by increasing the eligibility for childless adults from up to age 24 to up to 25 (Alternative 4). Under this alternative, TANF funding of \$500,000 FED annually could support expanding statewide services for persons older than 24 but younger than 25 under the existing Transform Milwaukee and Transitional Jobs programs.

ALTERNATIVES

1. *Governor's Recommendation.* Approve the Governor's recommendation to provide \$500,000 GPR annually to fund subsidized employment services to childless adults over the age of 24 in Milwaukee County.

ALT 1	Change to	
	Base	Bill
GPR	\$1,000,000	\$0

2. *Governor's Recommendation with Administration Funding.* Modify the Governor's recommendation to provide additional funding of \$363,000 GPR annually, and 1.25 GPR positions, beginning in 2019-20, to implement and administer the GPR-funded childless adult program separately from the TANF-funded Transform Milwaukee Jobs program.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$1,726,000	1.25	\$726,000	1.25

3. *Governor's Recommendation, with Administration Funding and Statewide Expansion.* Modify the Governor's recommendation to: (a) provide additional funding of \$363,000 GPR annually, and 1.25 GPR positions, beginning in 2019-20, to implement and administer the GPR-funded childless adult program separately from the TANF-funded Transform Milwaukee Jobs program; and (b) provide an additional \$517,000 GPR annually to establish a similar program outside of Milwaukee County for childless adults that is substantially identical to Transitional Jobs.

ALT 3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$2,760,000	1.25	\$1,760,000	1.25

4. *Expand Transform Milwaukee and Transitions Jobs.* Reject the Governor's proposal and instead provide \$500,000 FED from federal TANF block grant funds to support expanding the eligibility of childless adults in the Transform Milwaukee and Transitional Jobs programs from up to age 24 to up to age 25.

ALT 4	Change to	
	Base	Bill
GPR	\$0	-\$1,000,000
FED	<u>1,000,000</u>	<u>1,000,000</u>
Total	\$1,000,000	\$0

5. Take no action.

ALT 5	Change to	
	Base	Bill
GPR	\$0	- \$1,000,000

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