1997-98 SESSION COMMITTEE HEARING RECORDS

Committee Name:

Joint Committee on Finance (JC-Fi)

Sample:

Record of Comm. Proceedings … RCP
- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

- *Appointments … Appt*
- **

- *Clearinghouse Rules … CRule*
- **

- *Committee Hearings … CH*
- **

- *Committee Reports … CR*
- **

- *Executive Sessions … ES*
- **

- *Hearing Records … HR*
- **

- *Miscellaneous … Misc*
- *97hrJC-Fi_Misc_pt130a_LFB*

- *Record of Comm. Proceedings … RCP*
- **

Workforce Development

Economic Support and Child Care

(LFB Budget Summary Document: Page 675)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
-	Public Assistance Funding Overview (Paper #970)
1,2&11	Appropriation Structure and Base Funding for Public Assistance Programs (Paper #971)
1&3	Subsidized Employment Under W-2 (Paper #972)
-	SSI Administration and Benefits (Paper #973)
9	Copayments and Income Eligibility Limit for W-2 Child Care (Paper #974)
-	Minor Policy and Technical Changes -- W-2 Child Care Eligibility (Paper #975)
1	Employment Skills Advancement Grants (Paper #976)
1	Employment Transportation Under W-2 (Paper #977)
1	Evaluation of the W-2 Program (Paper #978)
4	Assignment of Child Support Under W-2 (Paper #979)
24	New Hope Project (Paper #980)
5	Work Requirement for Two-Parent Families Under W-2 (Paper #981)
-	18- and 19-Year Old Parents Under W-2 (Paper #982)
6	Time Limit for Participation in W-2 (Paper #983)
7	W-2 Dispute Resolution (Paper #984)
16	Aid to 18-Year-Old Students (Paper #985)
17	Public Assistance: Drug-Related Convictions and Drug Testing (Paper #986)
25f	Food Stamp Sanctions (Paper #987)
28d	Release of Information Regarding Food Stamp Recipients (Paper #988)
-	Food Stamp Waiver (Paper #989)
-	Minor Policy and Technical Changes -- Food Stamp and MA Administration by W-2 Agencies (Paper #995)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Public Assistance Funding Overview (Workforce Development--Economic Support and Child Care)

DISCUSSION POINTS

State and Federal Funding Sources

1. The Wisconsin Works (W-2) program was created under 1995 Wisconsin Act 289 to replace the current aid to families with dependent children (AFDC) program in Wisconsin. Under Act 289, the Department of Workforce Development (DWD) must implement W-2 statewide by October 1, 1997. The Department intends to implement the program one month earlier, on September 1, 1997. The basic AFDC program and related programs will sunset six months after the statewide start-up of W-2.

2. On August 22, 1996, President Clinton signed the federal personal responsibility and work opportunity reconciliation act of 1996 (P.L. 104-193), which replaces the federal AFDC provisions and related provisions with a block grant program called temporary assistance to needy families (TANF). Under the TANF program, public assistance benefits are no longer funded with a state/federal matching arrangement. Instead, federal block grants are provided to eligible states, with a required contribution of state funds under maintenance of effort provisions. The federal legislation also consolidated the federal child care funding sources for AFDC recipients and at-risk families with the child care development block grant. In addition, federal law establishes certain requirements that state programs must meet in order to receive funding, including work participation requirements for recipients.

3. The current state AFDC program, the W-2 program and several related programs will be funded with federal TANF and child care block grants along with existing state appropriations. Other revenue sources for these programs are federal funds for the food stamp

employment and training program and child support assigned to the state by recipients of public assistance. As outlined in Table 1, it is estimated that revenues from these sources will total $694.5 million in 1997-98 and $613.8 million in 1998-99. Funding that is not expended in 1997-98 may be carried over to 1998-99.

TABLE 1

Estimated Revenues Available for Public Assistance Programs
(In Millions)

	1997-98	1998-99
Current GPR Funds for AFDC	$147.3	$147.1
Current GPR Funds for Child Care	18.4	18.4
Current GPR Funds for W-2 Related FS/MA	5.2	7.0
Federal TANF Block Grant	317.6	317.0
Federal Child Care Block Grant	54.5	56.5
Food Stamp Employment and Training	7.0	7.0
Federal W-2 Related FS/MA	5.2	7.0
Carryover of TANF from 1996-97	83.5	0.0
Child Support Collections	55.8	53.8
Total	$694.5	$613.8

4. The Committee will be reviewing a number of papers regarding funding levels for public assistance programs. In past years, options considered by the Committee for the AFDC program indicated a GPR share and FED share of the total cost of the alternative. For example, an option to provide an additional $10 million for AFDC benefits would have been funded with approximately $4 million GPR and $6 million in federal matching funds. Under the new block grant arrangement, it is no longer accurate to assign a state and federal split in funding for individual expenditure decisions. Therefore, alternatives in the papers relating to programs that are funded with TANF assistance will indicate an "ALL FUNDS" cost of the option rather than separate GPR and FED funding amounts.

5. Under the old matching arrangement, incremental increases in program expenditures resulted in increased federal funds to cover a portion of the higher costs. With federal block grants, this is no longer the case. Therefore, if expenditures for W-2, AFDC and other programs funded with TANF assistance exceed the available funding amounts shown in Table 1, any additional costs must be funded entirely with state revenues; additional federal funds will not be available.

Maintenance of Effort Requirement

6. Under the new federal law, beginning in federal fiscal year 1998, the basic TANF grant will be reduced by the amount, if any, by which qualified state expenditures for public assistance programs in the previous year are less than the maintenance of effort (MOE) requirement. The MOE requirement is 75% of historic state expenditures if the state meets the federal mandatory work requirements or 80% if the state does not meet these requirements. "Historic state expenditures" generally means FFY 1994 expenditures for AFDC, JOBS, AFDC-emergency assistance, AFDC-related child care and at-risk child care.

7. If the TANF grant is reduced in a fiscal year under this provision, the state must expend additional state revenues in the following year equal to the amount of the reduction. States also must incur a specified level of child care expenditures in order to obtain federal matching funds for child care.

8. Because of the work requirements under W-2, it is believed that the state will meet the federal work participation requirements and that the 75% maintenance of effort provision will apply. This results in required state expenditures of $169 million annually to meet the TANF requirement. In addition, the state must spend approximately $11 million on child care assistance in order to obtain federal matching funds, for a total state contribution of $180 million. With the current appropriations for public assistance, the Department has identified qualified state expenditures of approximately $190 million annually, which would exceed the MOE requirement by $10 million. The Department's estimates include expenditures for the state earned income tax credit and the homestead tax credit for W-2 recipients who move into the work force.

9. Although it is estimated that the state will have qualified expenditures in excess of the MOE requirement, it is uncertain whether all of the state expenses identified by the administration may be counted toward the MOE requirement. Also, if the state does not meet the federal work participation requirements, the TANF maintenance of effort requirement would be 80%, which would increase the total state contribution (including child care matching funds) from $180 million to approximately $191 million.

10. Because it is estimated that state funding is relatively close to the federal maintenance of effort requirement and there is uncertainty regarding the inclusion of certain expenditures in determining if the state will meet the MOE, any reductions in public assistance expenditures should be counted as federal TANF funds rather than state GPR. If GPR appropriations were reduced significantly, the state would risk being out of compliance with the MOE provision. Unexpended TANF funds could be reallocated for other purposes allowed under the federal legislation or carried forward to the 1999-01 biennium.

Prepared by: Rob Reinhardt

Workforce Development -- Economi

MO#_____

JENSEN	Y	N	A	
OURADA	Y	N	A	
HARSDORF	Y	N	A	
ALBERS	Y	N	A	
GARD	Y	N	A	
KAUFERT	Y	N	A	
LINTON	Y	N	A	r #970)
COGGS	Y	N	A	

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE____ NO ____ ABS____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Appropriation Structure and Base Funding for Public Assistance Programs (Workforce Development--Economic Support and Child Care)

[LFB Summary: Page 675, #1; 682, #2; 691, #11]

INTRODUCTION

The purpose of this paper is to establish a base funding level in the 1997-99 biennium for the Wisconsin Works (W-2) program under the current statutory provisions. The Committee has elected to work from base funding amounts and the current statutes, rather than the Governor's recommended funding levels and statutory modifications in Senate Bill 77, for items relating to public assistance programs. However, the current appropriation schedule in the statutes includes funding amounts that are based on the aid to families with dependent children (AFDC) program rather than W-2. The alternatives included in this paper would modify the current appropriation structure and funding amounts to establish a structure and base funding levels that are appropriate for the current W-2 provisions. Additional papers address modifications that could be considered by the Committee in establishing the budget for W-2, including items recommended by the Governor in SB 77. The funding amounts shown in the other papers represent incremental changes to the base funding levels established in this paper.

The first several sections of this paper address the base funding level for W-2, and the following sections address the appropriation structure.

BASE FUNDING

Current Law

As noted, the current appropriation schedule in the statutes includes funding amounts that are based on the AFDC program rather than the Wisconsin Works program. Under 1995 Wisconsin Act 289, the Department of Workforce Development (DWD) is required to implement the W-2 program statewide by October 1, 1997. The Department is currently operating W-2 on a pilot basis in Fond du Lac and Pierce Counties and expects to implement the program statewide beginning September 1, 1997. The basic AFDC program and related programs will sunset six months after the statewide starting date for W-2.

Governor

Increase base funding by $96,514,100 in 1997-98 ($96,099,700 FED and $414,400 PR) and $96,891,000 in 1998-99 ($95,421,200 FED and $1,469,800 PR) for the AFDC and W-2 programs. The Governor's recommendation would provide funding for the current AFDC and job opportunity and basic skills (JOBS) programs during the first several months of 1997-98 and for the cost of implementing W-2 in the Fall of 1997.

Under the 1996 federal welfare reform legislation, the AFDC and JOBS programs were replaced with a block grant program called temporary assistance to needy families (TANF). Under the TANF program, public assistance benefits and administrative costs are no longer funded with a federal/state matching arrangement. Instead, federal block grants are provided to eligible states, with a required contribution of state funds under maintenance of effort provisions. The federal legislation also consolidates the federal child care funding sources for AFDC recipients and at-risk families with the child care development block grant (CCDBG).

The federal amounts shown above represent the difference between the dollars the state received under the matching arrangement for AFDC and the amounts the state receives under the federal block grants. The program revenue amounts shown above represent estimated job access loan repayments for each fiscal year. Current GPR funding levels for public assistance programs would not be modified. However, GPR funds would be reallocated to reflect the conversion from AFDC to W-2.

Table 1 shows the administration's estimates of revenues and expenditures for the W-2 program under Senate Bill 77, excluding health care. The expenditure amounts are all funds.

TABLE 1

Public Assistance Revenues and Expenditures Under Governor's Budget Bill

	1997-98	1998-99
Revenues		
Current GPR Funds for AFDC	$148,049,900	$150,812,200
Current GPR Funds for Child Care	18,357,200	18,357,200
Federal TANF Block Grant	318,188,400	318,188,400
Federal Child Care Block Grant	54,464,600	56,544,200
Food Stamp Employment and Training (FSET)	7,000,000	7,000,000
Carryover of TANF and FSET From Prior Year	89,125,600	18,483,300
Child Support Collections	37,254,700	37,993,800
Total Revenues	$672,440,400	$607,379,100
Expenditures		
Current Programs		
AFDC Benefits	$32,589,400	$0
JOBS Services	27,079,800	0
County Income Maintenance Administration	6,665,600	0
Ongoing Expenditures		
State Administration	26,776,400	26,992,300
Emergency Assistance	3,300,000	3,300,000
Burials	3,300,000	3,300,000
Learnfare Case Management Services	2,619,100	2,619,100
Local Learnfare Projects	2,250,000	0
Children First	1,316,400	1,316,400
County Fraud and Front-End Verification	588,000	588,000
Cash Assistance Under W-2		
Subsidized Employment	179,926,400	184,442,800
Kinship Care Assistance	15,720,400	22,116,400
Children of SSI Parents (TANF Share)	1,576,500	2,109,300
Job Access Loans	3,645,600	866,900
Employment Skills Advancement Grants	833,300	1,000,000
Child Care		
Direct Child Care Services	158,500,000	180,200,000
Indirect Child Care Services	6,002,400	6,002,400
W-2 Local Office Costs	108,048,300	94,106,700
Other Expenditures		
Child Support Payments	35,269,000	39,768,200
Partnership for Full Employment	3,898,400	3,513,300
School-to-Work	245,100	280,000
Employment Transportation	1,000,000	2,000,000
Total Expenditures	$621,150,100	$574,521,800
Balance Before Transfers	$51,290,300	$32,857,300
Other TANF Expenditures	$32,807,000	$32,802,100
Net Ending Balance	$18,483,300	$55,200

REVISED FUNDING AMOUNTS

Table 2 shows revised estimates of the amounts of funding that would be needed to cover the costs of the current AFDC program and the W-2 program in the 1997-99 biennium under the current statutory provisions. Some of these figures differ from the Governor's recommendation because of prior actions by the Committee, revised estimates of the AFDC and W-2 caseloads and technical adjustments. Other funding amounts recommended by the Governor are not included in Table 2 because they are addressed in separate papers. These funding amounts are shown in Table 3.

As Table 2 indicates, W-2 related expenditures would total $599.3 million in 1997-98 and $560.2 million in 1998-99. In addition, the Committee has already approved expenditures of TANF block grant funds for other activities totalling $32.0 million in 1997-98 and $32.1 million in 1998-99. These include: (a) a transfer of $31.8 million in each year to the Social Services Block Grant; (b) funding of $104,000 in 1997-98 and $108,100 in 1998-99 for a Milwaukee County Child Welfare Liaison position; and (c) $54,000 in 1997-98 and $144,000 in 1998-99 for hospital-based paternity establishment incentives. The 1998-99 ending balance in TANF revenues after these expenditures is $84.7 million.

In addition, the Governor's recommendation includes several TANF expenditure items that will be addressed in separate issue papers, which are shown in Table 3. These items would not be included in the base funding levels established in this paper. The total funding for these expenditures would be $19.9 million in 1997-98 and $26.9 million in 1998-99. Should the Committee approve these items with no modifications, the remaining balance at the end of the biennium would decrease from the $84.7 million amount shown in Table 2 to $37.9 million.

TABLE 2

Estimated Revenues and Base Funding for Public Assistance Programs

	1997-98	1998-99
Revenues		
Current GPR Funds for AFDC	$147,260,800	$147,067,500
Current GPR Funds for Child Care	18,357,200	18,357,200
Current GPR Funds for W-2 Related FS/MA	5,242,100	6,995,100
Federal TANF Block Grant	317,598,200	316,963,900
Federal Child Care Block Grant	54,464,600	56,544,200
Food Stamp Employment and Training	7,000,000	7,000,000
Federal W-2 Related FS/MA	5,242,100	6,995,100
Carryover of TANF from Prior Year	83,526,600	63,261,400
Child Support Collections	55,818,000	53,798,900
Total Revenues	$694,509,600	$676,983,300
W-2 Related Expenditures		
Current Program Expenditures		
AFDC Benefits	$28,400,000	$0
JOBS Services	15,079,800	0
IM County Administration and Overmatch	6,665,600	0
Ongoing Expenditures		
State Administration	33,306,000	30,544,800
Emergency Assistance	3,300,000	3,300,000
Burials	3,300,000	3,300,000
Learnfare Case Management Services	2,619,100	2,619,100
Local Learnfare Projects	450,000	0
Children First	1,316,400	1,316,400
County Fraud and Front-End Verification	588,000	588,000
Cash Assistance Under W-2		
Subsidized Employment	155,375,100	158,678,000
Job Access Loans	3,645,600	866,900
Employment Skills Advancement Grants	333,300	1,000,000
Child Care		
Direct Child Care Services	158,500,000	180,200,000
Indirect Child Care Services	6,002,400	6,002,400
W-2 Agency Related Costs		
W-2 Office Costs	104,117,000	115,293,800
Long-Term and Refugee Supplement	8,200,000	9,800,000
Contingency Fund	25,000,000	0
Milwaukee PIC	1,000,000	1,000,000
Other Expenditures		
Child Support Payments	37,929,600	41,865,500
Partnership for Full Employment	3,898,400	3,513,300
School-to-Work	245,100	280,000
Total W-2 Related Expenditures	$599,271,400	$560,168,200
Other TANF Expenditures Approved by the Committee	$31,976,800	$32,070,900
Ending Balance	$63,261,400	$84,744,200

TABLE 3

Additional Expenditures Recommended by the Governor for Public Assistance Programs

	1997-98	1998-99
Kinship Care Assistance	$15,720,400	$22,116,400
Children of SSI Parents (TANF Share)	1,576,500	2,109,300
New Hope	1,560,000	690,000
Employment Transportation	1,000,000	2,000,000
Total	$19,856,900	$26,915,700

The following sections describe the items in Table 2 that differ from the Governor's proposal and provide additional information regarding some of the revenue and expenditure estimates.

Current GPR for AFDC. In Table 2, the amounts of existing GPR funding allocated to AFDC are lower than those in the Governor's recommendation due to revised estimates of costs that would be allocated to the food stamp and MA programs and state child support enforcement programs.

Current GPR and FED for W-2 FS/MA. Revenues include $10.4 million in 1997-98 and $14.0 million in 1998-99 in GPR and FED administrative funding for W-2 recipients who also receive food stamps and MA. These revenues were inadvertently omitted from the Governor's proposal.

Federal TANF Block Grant. Under federal law, tribal organizations in a state may elect to operate a separate tribal public assistance program. For a tribe that submits an acceptable plan, the federal government will provide to the tribe an amount equal to expenditures by the state for federal fiscal year 1994 for families residing in the tribe and the state's TANF block grant will be reduced by an equivalent amount. The Department has indicated that four tribes in 1997-98 and five tribes in 1998-99 are expected to operate separate programs in Wisconsin as permitted under federal law. Therefore, the TANF block grant should be reduced by $590,200 in 1997-98 and $1,224,500 in 1998-99 to reflect the separate tribal plans.

Food Stamp Employment and Training. The 1996 federal welfare reform legislation allows states to expend federal food stamp employment and training dollars on W-2 recipients in an amount equal to 1995 expenditures for AFDC recipients. The state must match these funds. The federal government has approved a state plan that estimates that Wisconsin may use $11.0 million in federal FSET dollars on W-2 recipients on an ongoing basis if an acceptable cost allocation formula is developed. However, the federal government indicated that this amount may be subject to change if it is determined that some of the costs used to arrive at the $11.0 million estimate are not allowable.

Due to the uncertainty surrounding the availability of these funds, the administration included only $7 million in estimated revenues for this program. Matching GPR funds are included in the expenditures. It should be noted that GPR used as a match for this program would not be available to the state for meeting the TANF maintenance of effort requirement.

Carryover of TANF and FSET. The amount shown in Table 2 for 1997-98 has been reduced by $5.6 million compared to the Governor's recommendation. This modification reflects: (a) a decrease of $17.6 million to account for additional expenditures for 1996-97 that were approved at the Committee's s. 13.10 meeting in May, 1997; and (b) an increase of $12 million based on a reduced estimate of child care expenditures in 1996-97. The child care estimate reflects county data through April.

Child Support Collections. Child support collections shown in Table 2 are higher than the amounts shown in the Governor's recommendation by $18.6 million in 1997-98 and $15.8 million in 1998-99. This change is largely due to more recent data regarding actual child support collections. This data indicates that child support collected per case is significantly higher than previously anticipated. Also, the Governor's proposal did not adjust the amounts in the appropriation schedule to reflect estimated child support collections. This adjustment should be made.

AFDC Payments. Funding for AFDC payments is lower compared to the Governor's recommendation by $4.2 million in 1997-98. This difference is primarily due to a revised caseload estimate and the conversion of certain AFDC cases to kinship care.

JOBS Services. At the Committee's May, 1997, s. 13.10 meeting, $12.0 million in JOBS funding was approved for W-2 start-up activities in 1996-97. The $12.0 million was to be a reallocation of existing JOBS contracts from the fourth quarter of 1997. The funding amount shown in Table 2 is lower than the Governor's recommendation to reflect this reallocation of fourth quarter funding from the JOBS contracts.

State Administration. Funding for state administration in Table 2 is higher than the Governor's recommendation by $6.5 million in 1997-98 and $3.6 million in 1998-99. This is due to several modifications:

• The Governor's recommendation inadvertently omitted costs related to the JOBS program that should have been included in base funding for state administration. This modification was approved for 1996-97 at the Committee's May, 1997, s. 13.10 meeting. The amounts in Table 2 reflect this modification.

• The administration has indicated that a greater share of department-wide administrative costs would be allocated to the Division of Economic Support than previously anticipated. The amount for state administration in Table 2 reflects this change.

• The Governor's recommendation included funding for costs related to the CARES computer system that were partially allocated to the food stamp and medical assistance programs.

However, because these costs are related only to the W-2 program, they should not be allocated to food stamps and MA. This increases funding for state administration.

• The Governor's proposal included $1.5 million each year for evaluations. Under current law, the Department is required to contract with the Legislative Audit Bureau (LAB) for an evaluation of the W-2 program. This evaluation must be completed by July 1, 2000. According to the administration, the Department is still negotiating the terms of the evaluation contract with the LAB. Therefore, a portion of the funding for evaluations has been taken out of state administration. The issue of evaluations is discussed in a separate paper.

Local Learnfare Projects. Funding for local learnfare projects as shown in Table 2 is $1.8 million lower than the Governor's recommendation. The Committee approved an increase of funding in 1996-97 of $1.8 million at its May, 1997, s. 13.10 meeting. The Department has indicated that these Learnfare projects will be terminated and, therefore, an equivalent amount of funding should be reduced in the 1997-99 biennium.

Subsidized Employment and W-2 Agency Related Costs. The Governor's recommendation included $288 million in 1997-98 and $278.5 million in 1998-99 for subsidized employment and W-2 office costs. These amounts included: (a) a contingency fund of $25 million in 1997-98; (b) funding for long-term and refugee cases of $8.2 million in 1997-98 and $9.8 million in 1998-99; and (c) $1 million each year for a contract with the Milwaukee PIC for the administration of W-2 in Milwaukee County. However, the Governor's proposal did not separately identify these expenditures. Instead, only two expense categories (subsidized employment and office costs) were shown.

In August, 1996, the Department issued a request for proposals (RFP) for potential W-2 agencies. The RFP contained maximum amounts for W-2 office costs and benefits that would be provided to each agency by county. The amounts shown in Table 2 for subsidized employment for W-2 agencies reflect anticipated amounts statewide for contracts with W-2 agencies, except for the treatment of tribal benefits. As noted above, tribes have the option of operating a separate TANF program.

The funding amounts shown in Table 2 for subsidized employment, W-2 office costs, the long-term and refugee supplement, the contingency fund and the Milwaukee PIC total $293.7 in 1997-98 and $284.8 million in 1998-99. These amounts are higher than the Governor's budget due to two offsetting factors. First, the Governor's recommendation inadvertently omitted administrative expenditures for medical assistance and food stamps by W-2 agencies. Second, as noted above, the amounts for subsidized employment have been reduced by estimated tribal benefits for tribes operating separate public assistance programs.

Employment Skills Advancement Grants. The Governor's recommendation included funding for employment skills advancement grants beginning September 1, 1997. However, under current law, this program is not authorized to begin until six months after the starting date for W-2 (March 1, 1997). Therefore, funding for 1997-98 as shown in Table 2 reflects the later start date.

Child Support Payments. Estimated child support distributions have been modified to reflect a revised estimate of child support collections on behalf of W-2 recipients and the implementation of the child support demonstration waiver.

Expenditures for New Hope. Table 3 shows expenditures for the New Hope project that differ from the Governor's recommendation in SB 77. The amounts shown in Table 3 reflect requirements of the child support demonstration project as discussed at the Committee's May, 1997, s. 13.10 meeting. The issue of funding for the New Hope project is discussed in a separate paper.

APPROPRIATION STRUCTURE

Current Law/Governor

The Governor's proposal would modify the appropriation schedule related to public assistance programs as follows:

Public Assistance Benefits and Administration. The bill would eliminate the current GPR appropriations for: (a) income maintenance payments to individuals; (b) income maintenance county administration; (c) employment and training programs; and (d) services for learnfare pupils.

These appropriations would be combined into a single annual GPR appropriation that would include amounts for: (a) administration and benefits payments for the AFDC program, related programs and all components of the W-2 program; (b) Children First; (c) the food stamp employment and training (FSET) program; (d) funeral expenses for participants in W-2 employment positions and public assistance recipients; and (e) AFDC-related child care. The bill would specify that moneys in this appropriation could be used to match any federal funds. The Department would be authorized to transfer funds between fiscal years under this appropriation. The bill would specify that all funds allocated by the Department but not encumbered by December 31 of each year lapse to the general fund on the next January 1 unless transferred to the next calendar year by the Joint Committee on Finance.

These GPR funds, along with federal block grants, would fund most components of the W-2 program. As described below, separate state appropriations would be provided for child care and certain other components of W-2.

Child Care Appropriations. The bill would consolidate GPR funding for AFDC-related child care and at-risk and low-income child care into two annual appropriations: (a) a separate W-2 child care appropriation; and (b) the consolidated appropriation for W-2 administration and benefits described above. In addition to these state appropriations, federal child care and TANF block grant funds would be used for child care assistance. Specific allocations of funding for nondirect child care services wold be provided in the statutes.

Other State Appropriations. The bill would create a separate PR appropriation for job access loan repayments and a separate GPR appropriation for employment skills advancement grants. As under current law, emergency assistance would be funded through a separate GPR appropriation along with federal revenues.

Federal Appropriations. Federal funding for public assistance programs would be provided primarily from two appropriations (one for aids and one for operations) for federal block grant funds, which include the federal TANF and child care block grants. In addition, the bill would specify that the current federal appropriations for employment programs administration and aids be used only to carry out the FSET program. The bill would eliminate the provisions that federal moneys in these appropriations be used for Learnfare, JOBS and the parental and family responsibility pilot program. Federal funding for these other employment programs would be provided from the TANF block grant appropriations.

Kinship Care. The bill would eliminate the separate GPR appropriation for kinship and foster care assessments, and, instead, modify the federal block grant aids appropriation to include all moneys transferred to and from the DHFS appropriations for kinship care and foster care. TANF block grant funds would be provided to DHFS for kinship care assessments and payments for kinship care.

Income Augmentation Services. The bill would create a new federal appropriation for income augmentation services receipts. The administration indicates that DHFS has contracted with a private consulting firm to examine programs such as AFDC to determine if additional federal funds might be available to the state. This appropriation would include federal moneys received as a result of this contract.

Welfare Fraud Activities. The bill would clarify that funding for fraud investigations be provided from TANF block grant funds, in addition to GPR, PR and other federal funds.

Potential Modification to the Governor's Proposal

As noted, the Governor's recommendation would combine a number of separate GPR appropriations for public assistance into one consolidated appropriation which would fund most of the state costs of W-2 and other public assistance programs. Federal funding would come primarily from two appropriations for TANF block grants. Tables 1 and 2 show estimated expenditures for various components of the AFDC and W-2 programs; however, these specific expenditure items would not be identified in the statutes.

There are two advantages to the Governor's proposal. First, with the conversion from a federal matching arrangement to the use of federal block grants, it is difficult to assign accurate GPR/FED funding splits to individual expenditure items. Second, the W-2 program represents a significant departure from the AFDC program, which has been in existence for over 60 years. As a result, actual expenditures for the new program may differ from the budget estimates. The

consolidated appropriation structure recommended by the Governor would give DWD flexibility in allocating resources among the various components of the W-2 program.

A significant disadvantage of the Governor's proposal is that the Legislature would have less assurance that the Department is spending the appropriated funds according to the budget estimates.

One option that the Committee could consider would be to adopt the consolidated appropriation structure recommended by the Governor, but specify in the statutes the maximum amounts that could be expended from the state and federal appropriations for specific components of the AFDC and W-2 programs. Further, the Department could be permitted to transfer up to 10% of the amount specified for each component of W-2 to another component. If the Department wished to transfer additional funds, it would have to submit a request to the Committee, which would be subject to a 14-day passive review process similar to section s. 16.515 requests.

The specific expenditure categories would generally be the same as those outlined in Table 2. The funding amounts would depend on other actions taken by the Committee and the full Legislature. The statutory allocations of nondirect child care expenditures would not be modified.

SUMMARY

As noted above, the existing appropriation structure and base funding amounts reflect the current AFDC program, which will be replaced by W-2 in the Fall of 1997. Therefore, the base level appropriations must be modified in order to support the W-2 program in the 1997-99 biennium. If the current appropriation structure is not adjusted, the Department would have sufficient funding to implement W-2, but these funds would not be in the correct appropriations and would not be accessible for certain components of W-2. As mentioned, current state law requires DWD to implement the W-2 program statewide by October 1, 1997. Therefore, it is necessary for the appropriation schedule to be converted to accommodate the new program prior to that date.

The revised figures shown in Table 2 represent the most recent estimates by this office and the administration of the funding amounts that will be needed for the AFDC and W-2 programs in 1997-99 under the current statutory provisions. The table does not include funding for new initiatives proposed by the Governor in SB 77. These items and other potential modifications to the W-2 program are addressed in separate papers.

ALTERNATIVES TO BASE

Base Funding for Public Assistance Programs

In order to establish a base funding level, provide $599.3 million in 1997-98 and $560.2 million in 1998-99 shown in Table 2 for W-2 related programs

Public Assistance Appropriation Structure

1. Approve the appropriation structure recommended by the Governor.

2. Modify the Governor's recommendation to specify in the statutes the maximum amounts that could be expended from the state and federal appropriations for specific components of the AFDC and W-2 programs, as outlined in Table 2. The maximum expenditure amounts would be based on the figures shown in Table 2 and any modifications adopted by the Committee. Under this option the Department would be authorized to transfer up to 10% for the amount specified for each component of W-2 to another component. If the Department wished to transfer additional funds, it would have to submit a request to the Committee, which would be subject to a 14-day passive review process similar to section s. 16.515 requests.

Prepared by: Joanne Simpson

BASE Funding For Public Assistance Programs

MO# 2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS____

MO#_____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

Representative Gard

WORKFORCE DEVELOPMENT

Public Assistance Appropriation Structure

Motion:

Move to specify in the statutes the maximum amounts that could be expended from the state and federal appropriations for specific components of the AFDC and W-2 programs, as outlined in Table 2 of Paper #971. Specify that the maximum expenditure amounts would generally be based on the figures shown in Table 2 and any modifications adopted by the Committee, except that a single category of expenditures would be identified for amounts allocated to W-2 agencies for office costs, the long-term and refugee supplement and subsidized employment benefits.

Authorize the Department to transfer up to 10% of the amount specified in the statutes for each component of W-2 to another component. Provide that, if the Department wished to transfer more than 10% of the amount specified, it would have to submit a request to the Committee, which would be subject to a 14-day passive review process similar to section s. 16.515 requests.

Note:

Under SB 77, a number of separate GPR appropriations for public assistance would be combined into one consolidated appropriation which would fund most of the state costs of W-2 and other public assistance programs. Federal funding would come primarily from two appropriations for TANF block grants.

Under this motion, the appropriation schedule recommended by the Governor would be adopted. However, the statutes would specify the maximum amounts that could be expended from the state and federal appropriations for specific components of the AFDC and W-2 programs. The Department would be permitted to transfer up to 10% of the amount specified for each component of W-2 to another component. If the Department wished to transfer additional funds it would have to submit a request to the Committee, which would be subject to a 14-day passive review process, similar to section s. 16.515 requests.

VOTE OVER →

MO# 6051

JENSEN	Y	N	A
OURADA	Y	N	A
2 HARSDORF	Y	N	A
ALBERS	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Subsidized Employment Under W-2 (Workforce Development -- Economic Support and Child Care)

[LFB Summary: Page 675, #1 and Page 684, #3]

INTRODUCTION

This paper addresses the issue of cash assistance for participants in community service jobs (CSJs) and transitional placements under the Wisconsin Works (W-2) program created in 1995 Wisconsin Act 289. The first sections of the paper describe the cash benefits and work requirements under the current provisions for W-2 and the Governor's proposal in Senate Bill 77 to increase the cash grants for CSJs and transitional placements. This is followed by information regarding a proposal to establish an optional wage-paying CSJ placement for W-2 participants, including estimates of the cost of providing the state earned income tax credit (EITC) and homestead credit to such participants. Finally, the issue of funding amounts provided to local W-2 agencies for cash benefits is addressed.

CURRENT LAW

W-2 Work Programs

Participants in the W-2 program will be assigned to either unsubsidized employment or one of three types of subsidized employment. Subsidized employment includes trial jobs, CSJs and transitional placements. W-2 agencies must give priority to placement in unsubsidized employment first, followed in order by trial jobs, CSJs and transitional placements.

Trial jobs will provide work experience and training to assist participants to move into unsubsidized employment. The W-2 agency will 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 employee after the wage subsidy is terminated.

Individuals who cannot find unsubsidized employment or work in a trial job may be eligible for a CSJ or transitional placement. A community service job provides work experience and training to assist participants to move into unsubsidized employment or a trial job. A transitional placement position would be available for individuals who are incapacitated, needed in the home due to the illness or incapacity of another member of the group or are otherwise incapable of performing a trial job or CSJ.

Cash Benefits for CSJs and Transitional Placements

Under current law, participants in CSJs will receive a monthly grant of $555 and transitional placements will receive a monthly grant of $518; both of these grants will be paid by the W-2 agency. For every hour that these participants miss required work or educational activities without good cause, the grant will be reduced by $4.25. Good cause will be determined by the agency's financial and employment planner in accordance with rules promulgated by the Department. In addition, participants in W-2 may become ineligible if they fail three times to participate in required activities without good cause, and may receive a monetary penalty if a child in the W-2 group fails to meet the Learnfare attendance requirements.

A participant who meets the nonfinancial and financial eligibility requirements for a W-2 employment position and who is a custodial parent of a child who is 12 weeks old or less may receive a monthly grant of $555. The W-2 agency may not require such individuals to participate in a W-2 employment position.

Work and Education Requirements

The local W-2 agency may require a CSJ participant to work up to 30 hours per week in the CSJ and to participate in educational and training activities for up to 10 hours per week, for a total of 40 hours per week. Transitional placements may be required to engage in work activities (including certain AODA, mental health, counseling and physical rehabilitation activities) for up to 28 hours per week and to participate in specified education and training activities for up to 12 hours per week, for a total of 40 hours per week. The education and training activities will have to be assigned as part of an employability plan developed by the W-2 agency.

W-2 agencies may also require individuals to participate in an initial two-week assessment and motivational training program, including training on parenting skills, as part of the required activities for participants in CSJs and transitional placements.

Time Limits

A W-2 participant may participate in a CSJ for a maximum of six months, with an opportunity for a three-month extension under circumstances approved by the Department. An individual may participate in more than one CSJ, but generally may not exceed a total of 24 months of participation in all CSJ placements. The 24-month time limit also applies to transitional placements. Further, Act 289 establishes a 60-month time limit for participation in all employment positions. The 24-month and 60-month limits may be extended under certain circumstances.

EITC and Homestead Tax Credit

It is not certain whether CSJ participants and transitional placements will be eligible for the federal and state EITC under current law. The state EITC is generally available to state residents who claim the federal EITC. There is no specific provision under current law to allow or prohibit CSJ and transitional participants under W-2 from claiming the state EITC. If the federal Internal Revenue Service (IRS) determines that such individuals are eligible for the federal EITC, they would also be eligible for the state credit. Since the W-2 legislation was introduced in the Fall of 1995, it has been assumed for budgeting purposes that CSJ and transitional participants would not be eligible for these credits.

State law provides that property taxes or rent under the homestead credit will be reduced by one-twelfth for each month or portion of a month that a claimant participated in a CSJ or transitional placement.

Funding

The current appropriation structure is based on the aid to families with dependent children (AFDC) program rather than W-2. Therefore, there is no base funding level for W-2 cash grants. The Department indicates that the W-2 agency contracts will include net funding of $155.4 million in 1997-98 and $158.7 million in 1998-99 for subsidized employment. These figures include CSJ and transitional grants, as well as the subsidies paid to employers for trial job participants, and are net of sanctions and benefits paid under separate tribal programs. The net contract amounts have been included as base funding for subsidized employment in Paper #971.

Based on current caseload projections, it is estimated that the cost of providing these benefits will be $114.7 million in 1997-98 and $130.5 million in 1998-99. These figures are lower than the contract amounts by $40.7 million in the first year and $28.2 million in the second year. The issue of the appropriate amount of funding that should be provided to W-2 agencies is addressed in a later section of this paper.

GOVERNOR

The Governor recommends increasing the monthly CSJ grant to $673 and increasing the grant for transitional placements to $628 per month. The hourly sanction amount for noncompliance with work and education requirements would be increased to $5.15. In addition, the grant for custodial parents of infants would be increased to $673 per month.

Under current law, the cash grants of $555 for CSJs and $518 for transitional placements are equivalent to a wage of $4.25 per hour, if the 30-hour and 28-hour maximum weekly work requirements are considered. This was the minimum wage that was in effect when Act 289 was passed. Since that time, the federal hourly minimum wage has been increased to $4.75. On September 1, 1997, (the anticipated statewide starting date for W-2), the minimum wage will increase to $5.15 per hour. The cash grants proposed by the Governor would be equivalent to an hourly wage of approximately $5.15, to account for the higher minimum wage. Likewise, the hourly sanction would be increased from $4.25 to $5.15.

Table 1 shows the estimated disposable income for a single parent with two children under current law and the Governor's proposal. As indicated in the table, the Governor's recommendation would increase the disposable income of such W-2 participants by several hundred dollars per year. Because the higher grant amount would be counted as unearned income, food stamp benefits would be reduced, which would partially offset the increased grant amount.

TABLE 1

Comparison of Annual Disposable Income
Cash Grants Under Current Law and SB 77
Single Parent with Two Children

	Community Service Job			Transitional Placements		
	Current Law	SB 77	Difference	Current Law	SB 77	Difference
Cash Grant or Wage	$6,660	$8,076	$1,416	$6,216	$7,536	$1,320
Food Stamps	3,225	2,588	-637	3,398	2,831	-567
Child Care Copayment	-336	-336	0	-336	-336	0
Disposable Income	$9,549	$10,328	$779	$9,278	$10,031	$753
Percent of Poverty	71.6%	77.5%	5.9%	69.6%	75.3%	5.7%

Based on current caseload projections, it is estimated that the cost of providing benefits to W-2 recipients under the cash grants proposed by the Governor would be $136.7 million in 1997-98 and $154.2 million in 1998-99. Compared to the cash grants under current law, the

Governor's recommendation would increase costs for W-2 cash assistance by $22.0 million in 1997-98 and $23.7 million in 1998-99. The Governor's recommendation would not provide increased funding to W-2 agencies to account for the higher benefits.

PROPOSAL TO CREATE A WAGE-PAYING CSJ PLACEMENT

Summary of Proposal

Several legislators have expressed interest in a proposal to provide wage-paying jobs to CSJ participants. Under this proposal, the system of paying cash grants to individuals in these employment positions would not be replaced. Rather, W-2 agencies would have the option to either place CSJ participants in wage-paying jobs or provide them with a grant.

A participant in a wage-paying CSJ would be paid minimum wage for every hour worked in required activities under the CSJ employment position. If an individual in a wage-paying CSJ failed to perform the required work activities, the individual would not be paid.

In order to limit the cost of the proposal and provide time for job search activities, the number of hours that an individual could work in a wage-paying CSJ would be restricted. As under current law, a W-2 participant could participate in a wage-paying CSJ for up to six months, with an opportunity for a three-month extension. An individual could participate in more than one CSJ, but generally could not exceed a total of 24 months of participation in all CSJ placements. The 24-month limit would apply to the combined participation in both grant-paying and wage-paying CSJs.

The current work and education requirements would continue to apply to participants placed in a grant-paying CSJ. Individuals in wage-paying CSJs would not be required to participate in additional education and training activities, nor would education and training be included in allowable work activities unless prescribed by the employer as an integral part of the work performed in a CSJ. However, in addition to the child care assistance provided for work activities, child care assistance would be provided for the individual to engage in educational or job search activities.

As under current law, the community service job would be limited to projects that the Department determines would serve a useful public purpose. Individuals would be placed with existing private or public employers who would set hours and supervise the W-2 participant. The participant would receive a paycheck from the employer. The participant would be considered an employe of the W-2 agency or of a person with whom the W-2 agency contracts to provide employment to the individual. Participants would not be eligible for overtime pay or paid vacations.

Based on a letter dated March 27, 1997, from the Office of the Chief Counsel of the IRS and information regarding a similar program in Vermont, it appears that participants in wage-paying community service jobs would be eligible for the federal EITC. Further, if the IRS determines that CSJ wages under this proposal are taxable earnings, both the employer and the W-2 participant would be required to pay federal payroll taxes. Under the proposal, instead of paying a grant to the participant, the state would reimburse the employer for wages paid to the participant and for the employer's share of federal payroll taxes. The participant would be required to pay his or her share of federal payroll taxes, along with federal and state income taxes.

As noted above, under the W-2 program, individuals may be eligible for a transitional placement employment position if they are incapacitated, needed in the home due to the incapacity of another member of the W-2 group, or are otherwise incapable of performing a CSJ or trial job. Because these employment positions are for individuals who have significant barriers to work and required activities may include counseling and rehabilitation services, individuals in transitional placements would not be eligible for a wage-paying job under this proposal.

Fiscal Effect

The fiscal effect of this proposal would depend upon several factors: (a) the number of CSJ participants who would be placed into wage-paying slots instead of grant-paying slots; (b) the number of hours that participants would be allowed to work in a wage-paying CSJ; and (c) the participants' eligibility for the state EITC and homestead credit. The participation rate would depend upon how the program is structured and implemented, and is difficult to estimate. For purposes of the estimates provided below, it is assumed that 50% of all CSJ participants would be placed in wage-paying slots during the 1997-99 biennium. The other two factors (limits on work hours and eligibility for EITC and homestead) would be established in state law as part of the proposal. These factors would also influence the amount of disposable income that a participant would receive under this proposal.

The following sections outline four alternative structures that could be considered for this proposal and their estimated fiscal effects. Two of these options assume that the current grant amounts would be retained for transitional placements and grant-paying CSJs. The other two alternatives assume that the higher grants recommended by the Governor would be adopted. The fiscal estimates shown below are compared to the estimated actual costs of providing the current grant amounts ($114.7 million in 1997-98 and $130.5 million in 1998-99) rather than the benefit allocation included in the agency contracts.

Option 1: 30-Hour Work Requirement; Current Grant Amounts. One option would be to allow W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year. This is similar to the work requirement for grant-paying CSJs under current law. Table 2 shows the estimated fiscal effect of this alternative compared to current law. These

figures assume that the current grant amounts for other CSJ participants and transitional placements would be maintained.

TABLE 2

Fiscal Effect of Option 1
30-Hour Work Requirement; Current Grant Amounts
(Millions)

	1997-98	1998-99
Total Cost of Option 1 (excluding EITC and Homestead)	$127.8	$141.2
Subsidized Employment Under Current Law	114.7	130.5
Additional Cost (excluding EITC and Homestead)	$13.1	$10.7
EITC	$3.2	$2.7
Homestead	5.3	4.3

As shown in Table 2, this option is estimated to exceed the cost of the current provisions by $13.1 million in 1997-98 and $10.7 million in 1998-99, if the state EITC and homestead credits are not provided. Including the EITC and homestead credits would increase costs by an additional $8.5 million in the first year and $7.0 million in the second year.

Compared to the higher grants proposed by the Governor, this option would cost less. Costs would be $8.9 million lower in 1997-98 and $13.0 lower in 1998-99 if the EITC and homestead were not included; and $0.4 million lower in 1997-98 and $6.0 million lower in 1998-99 if these credits were provided.

The attachment shows the estimated disposable income for a single parent with two children under current law, the increased CSJ grants proposed by the Governor, this option and the other options for a wage-paying CSJ described below. As indicated in the table, under this option, CSJ participants would have additional disposable income compared to current law and compared to the Governor's recommendation, even if the state EITC and homestead are not provided. This occurs because it is assumed that these recipients would be eligible for the federal EITC. Disposable income would be even higher if participants were allowed to claim the two state credits. The impact on families with one child would be less because the EITC would be lower. If the state EITC were provided, the impact on larger families would be greater, because a significantly higher state credit is provided to families with three or more children.

Option 2: 30-Hour Work Requirement; Increased Grant Amounts. This alternative is the same as Option 1 except that the monthly benefits for grant-paying CSJs and transitional

placements would be increased as recommended by the Governor. Table 3 shows the estimated fiscal effect of this alternative compared to current law.

TABLE 3

Fiscal Effect of Option 2
30-Hour Work Requirement; Increased Grant Amounts
(Millions)

	1997-98	1998-99
Total Cost of Option 2 (excluding EITC and Homestead)	$140.4	$157.3
Subsidized Employment Under Current Law	114.7	130.5
Additional Cost (excluding EITC and Homestead)	$25.7	$26.8
EITC	$3.2	$2.7
Homestead	5.3	4.3

As Table 3 indicates, this option is estimated to exceed the cost of the current provisions by $25.7 million in 1997-98 and $26.8 million in 1998-99, if the state EITC and homestead credits are not provided. Including the EITC and homestead credits would increase costs by an additional $8.5 million in the first year and $7.0 million in the second year.

Compared to the cost of the higher grants proposed by the Governor, this option would increase costs by $3.7 million in 1997-98 and $3.1 million in 1998-99 if the EITC and homestead were not included. If these credits were provided, total costs for wages, FICA, EITC and homestead would be $12.2 million in 1997-98 and $10.1 million in 1998-99 higher than the cost of providing the cash grants proposed by the Governor.

The disposable income amounts for families in the wage-paying CSJs would be the same as the figures for Option 1.

Option 3: Cost-Neutral Compared to Current Law. The annual hours of work that would be allowed for wage-paying CSJs could be reduced so that the cost of reimbursing employers for the participant's wages and the employer's share of payroll taxes is approximately equal to the cost of providing the current $555 monthly grant. This could be accomplished by decreasing the number of weekly work hours, the number of weeks that a participant can work in a wage-paying CSJ during the year, or both of these factors so that the total number of hours per year does not exceed 1,200.

One option would be to specify that a participant could work in a wage-paying CSJ for up to 30 hours per week for the entire year, with an additional restriction that the total number

of work hours for a year could not exceed 1,200. This would allow the W-2 agency and participant flexibility in designing work schedules. For example, the participant could be allowed to participate for 30 hours per week for 40 weeks per year; 24 hours per week for 50 weeks per year; or any other combination such that the total number of hours per year does not exceed 1,200. The current benefit amounts for grant-paying CSJs and transitional placements would be retained.

As noted, the cost of this proposal would be approximately equal to the cost of providing the current $555 CSJ grant, if reimbursements to the employer for wages and payroll taxes are considered. If the EITC and homestead credit were also provided, the cost would increase by $7.8 million in 1997-98 ($2.5 million for the EITC and $5.3 million for homestead) and $6.4 million in 1998-99 ($2.1 million for the EITC and $4.3 million for homestead).

Compared to the cash grants proposed by the Governor, this option would cost less: $22.0 million in the first year and $23.7 million in the second year, if the EITC and homestead are not considered. If these credits were provided, the savings would fall to $14.2 million in 1997-98 and $17.3 million in 1998-99.

The financial impact on a single parent with two children under this option is shown in Attachment 1.

Option 4: Cost-Neutral Compared to Governor's Proposal. The proposal could be structured so that the cost of reimbursing employers for the participant's wages and the employer's share of payroll taxes is approximately equal to the cost of providing the $673 grant recommended by the Governor. Under this option, the number of hours of work per year could not exceed 1,450. For example, the W-2 agency and participant could establish a work schedule of 28 hours per week for 50 weeks per year. Under this alternative, the higher grants recommended by the Governor for other CSJ participants and transitional placements would be adopted.

The cost of employer reimbursements for wages and payroll taxes under this option would exceed the cost of providing the current $555 CSJ grant by $22.0 million in 1997-98 and $23.7 million in 1998-99. If the EITC and homestead credit were also provided, the cost would increase by an additional $8.3 million in 1997-98 ($3.0 million for the EITC and $5.3 million for homestead) and $6.8 million in 1998-99 ($2.5 million for the EITC and $4.3 million for homestead).

As mentioned, this alternative would be cost-neutral compared to the Governor's proposal, if the EITC and homestead are not considered. If these credits were provided, there would be increased costs of $8.3 million in 1997-98 and $6.8 million in 1998-99.

The difference in disposable income for a single parent with two children under this option is shown in the attachment.

Other Options. A number of other options could be considered by the Committee regarding this proposal. For example, the proposal could be structured so that the cost of providing the wage-paying CSJ component along with state EITC and/or the homestead credit would be approximately equal to the cost of providing the current $555 cash grant. If only the EITC were provided, the maximum work hours would have to be set at 1,135 per year. In order to also provide the homestead tax credit, the work limit would need to be reduced further so that the total number of hours does not exceed 1,000 per year. The current benefits for grant-paying CSJs and transitional placements would not be modified.

Similarly, the proposal could be structured so that the cost of providing wage-paying CSJs and the state credits would be approximately equal to the cost of providing the $673 grant recommended by the Governor. If only the state EITC were provided, the annual limit on the hours worked in the CSJ would be set at 1,375. If the homestead credit was also provided, the work limit would need to be reduced to 1,240 per year. Benefits for grant-paying CSJs and transitional placements would be increased as proposed by the Governor.

Assumptions. As noted, the fiscal estimates provided above assumed that 50% of CSJ participants would be placed into the wage-paying slots. This assumption should be considered speculative. Because wage-paying CSJs would be funded with federal TANF dollars, it was assumed that participants would be eligible for medical assistance. Under current law, the state must provide payment of workers compensation premiums for W-2 participants in CSJs. Therefore, it is assumed that there would be no additional costs to the state or to employers under the wage-paying CSJ proposal for workers compensation.

Federal law provides an exemption from unemployment insurance (UI) coverage for work relief or work training programs. However, it is unclear if participants in the W-2 wage-paying CSJs would qualify for this exemption. In order to be exempt from unemployment compensation under the work relief or work training provision, a program must take into account the economic status of the applicant. Further, activities performed must primarily benefit community or participant needs, and services must not otherwise be normally provided by other employes. However, a program may not qualify for the exemption if it offers wages, hours and conditions of work of a standard comparable to those prevailing in the locality for similar work. In addition, the exemption does not apply to the private sector. The options outlined above assumed that the employer would be responsible for UI, if such coverage is required.

As outlined below, establishment of wage-paying CSJs could result in behavioral changes on the part of participants and employers. However, because it is not possible to accurately predict the direction and magnitude of such changes, the estimates have not been adjusted to account for these factors.

POLICY CONSIDERATIONS

The following sections outline a number of policy arguments and other considerations regarding the current CSJ structure and the proposal to create a wage-paying option.

Effective Wage Rate; Participants with Part-Time Employment

The current CSJ structure can result in benefits that are in excess of minimum wage. This could occur if an individual is assigned to fewer than 30 hours of work per week. Under current law and the Governor's proposal, the monthly grant may not be prorated to account for a reduced work assignment. Therefore, a CSJ participant who is assigned to 20 hours of work per week would be paid the equivalent of $6.40 per hour under current law and $7.76 per hour under the Governor's proposal. This could provide an incentive for CSJ participants to remain in the W-2 program longer than they otherwise would.

This consideration is particularly important for CSJ participants who also have part-time unsubsidized jobs. In these cases, the W-2 agency could be faced with a difficult choice. If the agency requires 30 hours of work per week in the CSJ, it could jeopardize the participant's ability to maintain the unsubsidized job. If fewer hours are required for the CSJ, the equivalent wage could increase to the point where the CSJ is more attractive than additional unsubsidized work. Both of these outcomes would be contrary to the intent of the W-2 program.

It is argued that the wage-paying approach would address this situation because a participant would only be paid for each hour of satisfactory work. Therefore, CSJ wages could not exceed minimum wage. However, the issue of participants who have part-time jobs could also be addressed by modifying the current statutes to allow W-2 agencies to provide a prorated grant amount if an individual is assigned to fewer than 30 hours of work per week because the participant also has an unsubsidized job. If the Committee elects to continue the grant approach, it may wish to make this modification.

Use of Wage-Paying CSJs for Job-Ready Individuals

Under Act 289, W-2 agencies must provide community service jobs for individuals who are unable to obtain employment, as determined by the agency. A participant may be unable to obtain a job because the person lacks the necessary basic skills and work habits for employment or because sufficient unsubsidized jobs are not available in the area where the participant resides. It has been suggested that wage-paying CSJ placements would be preferable to grant-paying slots for individuals who are "job-ready" but are unable to find employment. It is argued that a wage-paying CSJ would be more similar to an unsubsidized job than a grant-paying CSJ.

The counter argument is that the state has a very low unemployment rate and that jobs are plentiful in the current economy. Therefore, individuals who are job-ready should be able to find unsubsidized employment, especially since W-2 agencies will be allowed to provide

transportation assistance to participants. However, it is likely that, over time, the state will experience higher unemployment rates.

Financial Benefits for Participants

As noted above, participants in a wage-paying CSJ would benefit financially because they would likely be eligible for the federal EITC. Additional financial benefits would be provided if CSJ participants were allowed to claim the state EITC and homestead credit. As a result, the well-being of these families would be enhanced while they are participating in the CSJ. It can also be argued that the infusion of federal revenues from the EITC would provide an economic benefit to the communities in which participants reside.

On the other hand, the current grant structure provides a significant financial incentive for participants to seek unsubsidized jobs. It is argued that making CSJ placements more attractive financially would decrease the incentive for participants to move off of the W-2 program and into unsubsidized jobs. Also, some of the options outlined above for wage-paying CSJ placements would have significantly reduced work requirements compared to current law. This could also make participation in W-2 more attractive.

Behavioral Impact

It has been suggested that treating individuals like wage earners who receive a paycheck and pay taxes may lessen the psychological barrier to obtaining a private sector job. However, as mentioned, a wage-paying CSJ may not provide enough of a distinction between W-2 and private sector jobs, thus decreasing the incentive to move into the private sector. It should also be noted that the time limits for participation in W-2 employment positions would apply under both the grant-paying and wage-paying approaches. In addition, W-2 agencies will have a financial incentive to move participants into unsubsidized employment. These provisions also establish an incentive for W-2 participants to seek unsubsidized employment.

Impact on Trial Jobs

In addition to CSJs and transitional placements, the W-2 program includes a trial job component which will provide a subsidy of up to $300 per month for employers who hire and train W-2 participants. Trial job employers will be required to pay at least minimum wage to participants and will be responsible for providing worker's compensation coverage and paying the employer's share of payroll taxes. The budget estimates assume that 10% of W-2 participants will be placed into trial jobs.

It can be argued that creation of a wage-paying CSJ placement would lead to decreased participation in the trial job component of the W-2 program, because wage-paying CSJs would be significantly more attractive to employers. As noted, under the wage-paying CSJ, an employer would be reimbursed for 100% of the employe's wages ($618 per month assuming 30 hours per

week) and for the employer's share of payroll taxes (an additional $47 per month). The state would also pay for the participant's workers compensation coverage. From the employer's perspective, this package of benefits would be preferable to the $300 wage subsidy provided for trial job participants. Therefore, it is possible that employers would elect to participate in this component rather than in the trial job component.

This factor could increase the costs of the wage-paying CSJ proposal, because it would be significantly more expensive for the state to place an individual in a wage-paying CSJ than in a trial job. For example, if 25% of the participants who are currently assumed to be placed into trial jobs were instead placed into wage-paying CSJs, program costs would increase by an estimated $5.3 million in 1997-98 and $8.6 million in 1998-99 compared to the estimates outlined in the previous sections.

Implementation

The W-2 program is currently scheduled to be implemented September 1, 1997. It can be argued that modifying the structure of the program by adding a wage-paying CSJ employment position could create added difficulties in finalizing contracts with W-2 agencies and preparing for the implementation of the program.

Federal Fair Labor Standards Act

On May 16, 1997, the executive branch of the federal government announced a preliminary decision that the Fair Labor Standards Act and its minimum wage requirements would apply to welfare recipients in public service jobs. The federal Department of Labor has released guidelines relating to this decision. The guidelines indicate that it may be possible to include a family's food stamp allotment in determining if benefits for the family exceed minimum wage. In addition, W-2 recipients may become eligible for the federal EITC and the state could be required to pay the employer's share of payroll taxes for these individuals. It is also possible that recipients would be eligible for unemployment compensation. However, the guidelines indicate that these issues would be resolved on a case-by-case basis.

Should the federal government require the minimum wage to be paid to welfare recipients, establishing an option for wage-paying community service jobs would provide more assurance that the state is in compliance with federal provisions. With the current $555 cash grant and work requirement of 30 hours per week, the equivalent hourly wage is less than the $5.15 minimum wage that will take effect on September 1. With the cash grant of $673 proposed by the Governor, the equivalent hourly wage would be slightly above minimum. However, CSJ participants may be sanctioned if they fail to meet assigned hours of education and training as well as the 30-hour work requirement. Therefore, if an individual met the 30-hour work requirement, but was sanctioned for failing to participate in education and training, the equivalent hourly wage would be reduced below the $5.15 minimum wage. This could potentially be problematic under a federal requirement to provide the minimum wage for every hour worked.

At this time, it is difficult to determine if a federal requirement to pay minimum wage is a serious concern for Wisconsin. As noted, the federal government has indicated that the impact of such a requirement may need to be determined on a case-by-case basis and according to the facts of a particular situation. It is also possible that this issue will be addressed through federal legislation to eliminate the minimum wage requirement for welfare recipients.

Calculation of the State EITC

Under current law, calculation of the state EITC is straightforward: the claimant simply multiplies the federal credit by the appropriate state percentage (4% for one child, 14% for two children or 43% for three or more children).

As noted, the wage-paying CSJ proposal could be structured so that wages paid for the CSJ would not count as earnings for the state EITC. If the IRS determines that these wages may be included for purposes of the federal EITC, W-2 participants who have earnings from both unsubsidized employment and a CSJ would have to calculate their state EITC separately using only the unsubsidized wages, rather than calculating the credit as a percentage of the federal credit. A separate schedule on the state income tax form would be needed for this calculation. Claimants who do not receive income from CSJs would continue to calculate the state EITC as a percentage of the federal credit.

Because of the structure of the EITC, this provision could result in a state credit that is higher or lower than the amount of credit that would be allowed if both the W-2 wages and unsubsidized earnings were counted, depending on the individual's overall level of income.

W-2 AGENCY CONTRACT AMOUNTS; FUNDING FOR W-2 CASH BENEFITS

The previous sections of this paper addressed the structure of CSJ placements and the amount of cash benefits that should be provided for CSJ participants and transitional placements under W-2. A related issue is whether the proposed W-2 agency contract amounts should be adjusted if higher cash grants are adopted.

Expected W-2 Agency Contract Amounts

According to DWD, the following amounts (in millions) will be included in the W-2 agency contracts, which are scheduled to be provided to the W-2 agencies by June 30, 1997:

	1997-98	1998-99
Cash Benefits and Trial Job Subsidies*	$155.4	$158.7
W-2 Office Costs and Ancillary Benefits	104.1	115.3
Refugee and Long-Term Case Supplement	8.2	9.8
Contingency Fund	25.0	0.0
Total	$292.7	$283.8

*These figures are net of sanctions and amounts paid under separate tribal programs. DWD indicates that the amounts that will appear in the contracts will total $160.6 million statewide in the first year and $164.9 million in the second year. The higher amounts in the contracts include sanctions and tribal benefits. However, the amounts for sanctions and tribal benefits ($5.2 million in 1997-98 and $6.2 million in 1998-99) will not be made available to the agencies.

As shown above, the net contract amounts for W-2 agencies will provide $292.7 million in 1997-98 and $283.8 million in 1998-99 for cash benefits and trial job subsidies, W-2 office costs and ancillary benefits, a special supplement for counties that have a high number of long-term and refugee cases and a contingency fund of $25.0 million. The contingency fund will be held by DWD and made available to local agencies in case of an economic downturn. Funding for subsidized employment and office costs do not include funds for tribal agencies that are expected to conduct a separate program as permitted under the federal TANF provisions.

In August, 1996, the Department issued a request for proposals (RFP) for potential W-2 agencies. The RFP contained maximum amounts for W-2 office costs and benefits that would be provided to each agency by county. The contract amounts shown above are the same amounts as were in the RFP, except for the treatment of sanctions and tribal benefits. These amounts were based on an estimated starting caseload of 48,800 in September, 1997. Benefit amounts were based on the current cash grants of $555 for CSJ participants and $518 for transitional placements.

According to the Department, agencies will have access to all of their allocation. To the extent that the agency has excess savings from benefits, those amounts would be available to be used for allowable administrative costs. The Department anticipates that in December of 1998 and 1999, a calculation of any unused benefit and office costs will be made, and any unexpended balance will be divided between the agency, the state and invested in the community by the agency. The W-2 agency would be authorized to retain savings up to 7% of the contract amount. Any additional savings above 7% would be shared as follows: (a) 10% of the excess would be available for unrestricted use by the W-2 agency; (b) 45% would be retained by the state to reduce state costs; and (c) 45% would be retained by the agency for investment in the community, under a plan approved by DWD.

Funding for Higher Grant Amounts

The Governor's proposal would provide no additional funding to W-2 agencies to account for the payment of higher grants to participants. According to the administration, although the W-2 agencies would be required to provide higher benefits to CSJ and transitional placements, agencies also will be serving a lower caseload than previously anticipated. As noted, the RFP was based on an estimated starting caseload of 48,800. In March, 1997, the current AFDC caseload was 41,898, including approximately 10,800 cases involving individuals who will not be eligible for W-2 employment positions (non-legally responsible relatives, individuals who are on AFDC for the sole reason that they are pregnant, and children whose parents receive SSI). Assuming further declines in the caseload in the next several months, the starting caseload for W-2 is currently projected at 29,200, a reduction of 40% from the caseload estimated in the RFP.

Furthermore, it is estimated that, on a statewide basis, the contract amounts would be sufficient to cover the higher grants. As noted, based on current caseload projections, cash benefits under W-2 are estimated at $136.7 million in 1997-98 and $154.2 million in 1998-99 with the higher grants recommended by the Governor. These estimates are lower than the net contract amounts for subsidized employment by $18.7 million in the first year and $4.5 million in the second year. Therefore, it appears that sufficient funding will be provided to W-2 agencies, even with the higher grant amounts. If the current grants were retained, the contract amounts would be higher than estimated benefit costs by $40.7 million in the first year and $28.2 million in the second year.

From the perspective of the W-2 agencies, however, it could be argued that caseload declines were anticipated when the bids for agency contracts were submitted to DWD, and that the lower caseloads were factored into the agencies' bids. If agencies structured their bids based on the assumption that caseloads would continue to fall, increasing the grant amounts after the contract bids were received could be viewed as inappropriate. Therefore, it could be argued that, if the grant amounts are increased (with or without the wage-paying CSJ option), then additional funding should be provided to agencies to cover the additional expenses.

If the Committee chose to provide the full additional cost of the higher grants recommended by the Governor, additional funding of $22.0 million in 1997-98 and $23.7 million in 1998-99 would be needed. If Option 2 regarding the wage-paying CSJ proposal were also adopted, additional funds of $3.7 million in 1997-98 and $3.1 million in 1998-99 would be needed. If additional funding is provided, the Committee could direct the Department to ensure that funding for the increased grants is allocated to W-2 agencies according to need.

Reserve for Milwaukee County

As noted above, it appears that, statewide, there is sufficient funding in the current anticipated contract amounts for W-2 agencies to fund the proposed increase in benefits. However, because the caseload decline in Milwaukee County has been lower than for other

counties, it is estimated that the amount that will be allocated to Milwaukee County for cash benefits will not be sufficient to cover the costs of the higher grant amounts. Specifically, it is estimated that Milwaukee County providers would incur costs of $8.9 million in 1997-98 and $19.8 million in 1998-99 above the contract amounts if the CSJ and transitional grants were increased as proposed by the Governor.

In a letter to the Joint Committee on Finance, the administration has proposed the creation of a reserve fund of $11 million in 1997-98 and $10 million in 1998-99 for Milwaukee County to help offset the costs of the increased grants proposed by the Governor. The administration's proposed reserve fund is $7.7 million lower in the biennium than the estimated cost to Milwaukee County agencies of providing higher grants. However, the administration has indicated that Milwaukee County would be allocated 78% of the supplement for long-term and refugee cases, and would also be allocated approximately 40% of the contingency fund. In addition, based on assumptions of a lower caseload, office costs should decline. This could provide another source of funding to offset the costs of providing increased grants. Finally, the administration indicates that providing $21 million in the biennium would create an incentive to the W-2 agencies to further reduce caseloads. The reserve fund could be increased if Option 2 regarding wage paying CSJ placements is adopted.

The contract amounts would be sufficient to fund the costs of providing the current grants in Milwaukee County. Therefore, if the Committee does not approve the increased grants proposed by the Governor, the Milwaukee County reserve fund would not be needed.

Use of Amounts Returned to DWD

As discussed above, if W-2 agencies have excess funds at the end of the calendar year, some of those proceeds may be retained by DWD. Because these savings may or may not be realized, they have not been included as revenue for the W-2 program. The Committee may wish to modify the statutes to specify that the Department could not expend such funds, and would be required to add them to the balance of unexpended TANF revenues that would be carried forward to the next fiscal year.

ALTERNATIVES TO BASE

The following are alternatives regarding cash assistance for CSJ and transitional placements, including an optional wage-paying CSJ placement. The funding amounts for cash assistance paid under the W-2 program are shown as ALL FUNDS; these costs would be funded with a combination of federal TANF revenues and state GPR. As under current law, the options to provide the state EITC and homestead credit to W-2 participants would be funded entirely with state GPR and would be paid from the existing sum sufficient appropriations for these programs.

A. Cash Benefits for CSJs and Transitional Placements; Agency Funding

Alternative 1

Adopt the Governor's recommendation to increase benefits to $673 for CSJs, $628 for transitional placements, and $673 for custodial parents of infants and adopt one of the following options regarding W-2 agency funding:

a. PASS Do not provide increased funding over the contract amounts to W-2 agencies to reflect the increased grants.

b. Provide $11 million in 1997-98 and $10 million in 1998-99 to create a reserve fund in Milwaukee County.

Alternative 1b	ALL FUNDS
1997-99 FUNDING (Change to Base)	$21,000,000
[Change to Bill	*$21,000,000]*

c. Provide $22.0 million in 1997-98 and $23.7 million in 1998-99 to increase funding amounts for all W-2 agencies to cover the costs of the higher grants.

Alternative 1c	ALL FUNDS
1997-99 FUNDING (Change to Base)	$45,700,000
[Change to Bill	*$45,700,000]*

Rec motion #5067 (FAIL) #3212 (FAIL) #5070 (PASS)

MO# Alt #A1a

2 JENSEN	~~Y~~	N	A
OURADA	~~Y~~	N	A
HARSDORF	~~Y~~	N	A
ALBERS	~~Y~~	N	A
1 GARD	~~Y~~	N	A
KAUFERT	~~Y~~	N	A
LINTON	~~Y~~	N	A
COGGS	Y	~~N~~	A
BURKE	Y	~~N~~	A
DECKER	~~Y~~	N	A
GEORGE	~~Y~~	N	A
JAUCH	Y	~~N~~	A
WINEKE	Y	~~N~~	A
SHIBILSKI	~~Y~~	N	A
COWLES	~~Y~~	N	A
PANZER	~~Y~~	N	A

AYE 12 NO 4 ABS ____

Senator Burke

WORKFORCE DEVELOPMENT -- ECONOMIC SUPPORT AND CHILD CARE

Optional Wage-Paying Community Service Job

Motion:

Move to increase the monthly benefit amount for grant-paying CSJs from $555 to $673 and for transitional placements from $518 to $628. Establish an optional wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year, with an additional restriction that the total number of work hours for a year could not exceed 1,375. Specify that participants in wage-paying CSJs could claim the state earned income tax credit (EITC) but not the homestead credit. Provide $11 million in 1997-98 and $10 million in 1998-99 to create a reserve fund for Milwaukee County.

Provide that, if a W-2 agency chooses to place a participant into a wage-paying CSJ, the Department of Workforce Development (DWD) must transfer from the W-2 agency's allocation for W-2 benefits an amount determined by the Department of Revenue to be adequate to cover the cost of providing the state EITC to the participant. Create a program revenue appropriation for receipt of amounts transferred from DWD. Provide that these revenues would be used to fund the state EITC along with existing GPR funds.

Provide that if a W-2 agency places a participant into a wage-paying CSJ,the participant may participate in that particular placement for up to three months, with an opportunity for a one month extension under circumstances approved by DWD.

Require that if a W-2 agency places a participant into a wage-paying CSJ, the W-2 agency would be responsible for paying out of its current allocation the entire cost of the wage, the employer's share of payroll taxes and costs for unemployment compensation, if any.

Prohibit a W-2 agency from utilizing any organization as an employer for the purposes of providing a wage-paying CSJ except for: (a) the W-2 agency; (b) a nonprofit corporation; or (c) a cooperative.

Full-Time Wage-Paying CSJs. Specify that the effective date for full-time wage-paying CSJs (more than 20 hours per week on average) would be September 1, 1998, for two W-2 agencies in Milwaukee County that shall be selected by DWD based upon requests previously submitted by such agencies. Specify, that, after September 1, 1999, DWD may allow additional W-2 agencies to provide the wage-paying CSJ option based upon requests from W-2 agencies. Further, specify that by September 1, 1999, DWD would be required to report to the Committee

on the impact of the wage-paying CSJ option compared to CSJs that pay grants on W-2 spending and incentives to seek and hold private-sector jobs. Provide that, if approved by the Committee by January 1, 2000, the full-time wage-paying CSJ option would be expanded statewide. If the Committee does not approve the expansion, these provisions would sunset on September 1, 2001.

Part-Time Wage-Paying CSJs. Provide that all W-2 agencies could place individuals into part-time wage-paying CSJs (less than 20 hours per week) effective September 1, 1998. These provisions would sunset on September 1, 2001.

MO# 5067

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
2 COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 8 NO 8 ABS ____

Senator George

WORKFORCE DEVELOPMENT -- ECONOMIC SUPPORT AND CHILD CARE

Pay Minimum Wage for CSJs and Transitional Placements

Motion:

Move to provide that CSJ and transitional placements be paid the minimum wage for each hour actually worked in the CSJ or transitional placement. Provide that these participants would be eligible for the state earned income tax credit (EITC) if the federal IRS determines that they would be eligible for the federal EITC. Provide $31.8 million in 1997-98 and $32.9 million in 1998-99 to W-2 agencies to cover the wages for participants and the employer's share of federal payroll taxes. Provide $8.4 million GPR and $8.1 million GPR to cover the cost of the state EITC.

Note:

Under current law, participants in CSJs will be required to participate in work activities for up to 30 hours per week, and engage in educational and training activities for up to 10 hours per week. CSJs will be paid a grant of $555 per month. Transitional placements are required to participate in work activities for up to 28 hours per week, and education and training activities for up to 12 hours per week. Participants in transitional placements will receive a grant of $518 per month.

This motion would provide CSJs and transitional placements with a minimum wage for each hour worked. Such participants could also engage in educational and training activities, but would not be paid for participation in these activities. The intent is that, by treating the cash benefit for these components as a wage rather than a public assistance grant, these participants would be subject to state and federal income and payroll taxes and would be eligible for the state and federal EITCs.

Based on correspondence with the federal Internal Revenue Service (IRS), and information regarding a similar program in Vermont, it appears that participants in wage-paying community service jobs would be eligible for the federal EITC. However, it is less likely that participants in transitional placements would be eligible for this federal credit. The state EITC is generally available to state residents who claim the federal EITC.

This motion would provide $31.8 million (all funds) in 1997-98 and $32.9 million in 1998-99 to W-2 agencies to pay for the participants' wages and the employer's share of federal payroll taxes. It is estimated this proposal would cost an additional $7.9 million GPR in 1997-98 and $8.1 million in 1998-99 for the state EITC.

[Change to Base: $16,000,000 GPR and $64,700,000 All Funds]
[Change to Bill: $16,000,000 GPR and $64,700,000 All Funds]

MO# 3212

JENSEN	Y	~~N~~	A
OURADA	Y	~~N~~	A
HARSDORF	Y	~~N~~	A
ALBERS	Y	~~N~~	A
GARD	Y	~~N~~	A
KAUFERT	Y	~~N~~	A
LINTON	~~Y~~	N	A
2 COGGS	~~Y~~	N	A

BURKE	~~Y~~	N	A
DECKER	~~Y~~	N	A
GEORGE	~~Y~~	N	A
JAUCH	~~Y~~	N	A
WINEKE	~~Y~~	N	A
SHIBILSKI	~~Y~~	N	A
COWLES	Y	~~N~~	A
PANZER	Y	~~N~~	A

AYE 8 NO 8 ABS ____

Representative Gard

WORKFORCE DEVELOPMENT -- ECONOMIC SUPPORT AND CHILD CARE

Optional Wage-Paying Community Service Job

Motion:

Move to establish an optional wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 15 hours per week. Specify that participants in wage-paying CSJs could claim the state earned income tax credit (EITC) but not the homestead credit. Provide $11 million in 1997-98 and $10 million in 1998-99 to create a reserve fund for Milwaukee County.

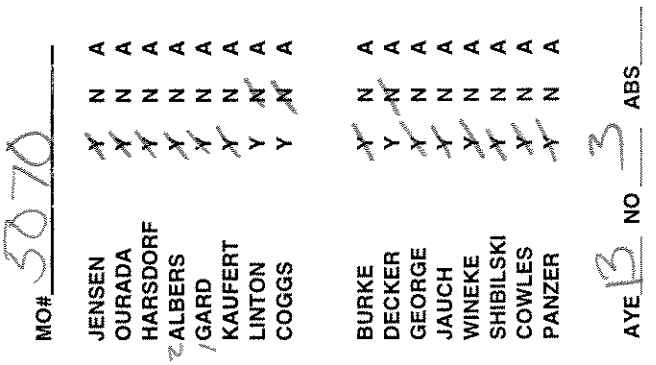
Provide that, if a W-2 agency chooses to place a participant into a wage-paying CSJ, the Department of Workforce Development (DWD) must transfer from the W-2 agency's allocation for W-2 benefits an amount determined by the Department of Revenue to be adequate to cover the cost of providing the state EITC to the participant. Create a program revenue appropriation for receipt of amounts transferred from DWD. Provide that these revenues would be used to fund the state EITC along with existing GPR funds.

Provide that a W-2 agency may place an individual in a wage-paying CSJ only if the individual is working in an unsubsidized part-time job for more than 15 hours per week.

Provide that if a W-2 agency places a participant into a wage-paying CSJ, the participant may participate in that particular placement for up to three months, with an opportunity for a one month extension under circumstances approved by DWD.

Prohibit a W-2 agency from utilizing any organization as an employer for the purposes of providing a wage-paying CSJ except for a nonprofit organization, other than a government entity.

Specify that the effective date for the optional wage-paying CSJ provisions would be October 1, 1998, for two W-2 agencies in Milwaukee County that would be selected by DWD based upon requests previously submitted by such agencies. Specify that the wage-paying CSJ option will sunset on September 30, 2001.



Motion #5070

Alternative 2

Maintain the current benefit amounts for grant-paying CSJs and transitional placements. Establish a wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year. Three variations of this alternative are shown below:

a. Specify that participants in wage-paying CSJs would not qualify for the state EITC or the homestead tax credit, and provide no additional funding for W-2 agencies.

b. Provide $3.2 million GPR in 1997-98 and $2.7 million GPR in 1998-99, and permit participants in wage-paying CSJs to claim the state EITC but not the homestead credit.

Alternative 2b	GPR
1997-99 FUNDING (Change to Base)	$5,900,000
[Change to Bill	*$5,900,000]*

c. Provide $8.5 million GPR in 1997-98 and $7.0 million GPR in 1998-99, and permit participants in wage-paying CSJs to claim both the state EITC and homestead credit.

Alternative 2c	GPR
1997-99 FUNDING (Change to Base)	$15,500,000
[Change to Bill	*$15,500,000]*

Alternative 3

Increase the benefit amounts for grant-paying CSJs and transitional placements as recommended by the Governor. Establish a wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year. Six variations of this alternative are outlined below.

W-2 Agency Funding

a. Provide no additional funding for W-2 agencies.

b. Provide $13 million in 1997-98 and $12 million in 1998-99 to create a reserve fund in Milwaukee County to cover the increased grant amounts and employer reimbursements.

Alternative 3b	ALL FUNDS
1997-99 FUNDING (Change to Base)	$25,000,000
[Change to Bill	*$25,000,000]*

c. Provide $25.7 in 1997-98 and $26.8 in 1998-99 to increase funding amounts for all W-2 agencies to cover the costs of the higher grants and employer reimbursements.

Alternative 3c	ALL FUNDS
1997-99 FUNDING (Change to Base)	$52,500,000
[Change to Bill	*$52,500,000]*

EITC and Homestead

d. Provide $3.2 million GPR in 1997-98 and $2.7 million GPR in 1998-99 and permit participants in wage-paying CSJs to claim the state EITC but not the homestead credit.

Alternative 3d	GPR
1997-99 FUNDING (Change to Base)	$5,900,000
[Change to Bill	*$5,900,000]*

e. Provide $8.5 GPR in 1997-98 and $7.0 million GPR in 1998-99 and permit participants in wage-paying CSJs to claim both the state EITC and homestead credit.

Alternative 3e	GPR
1997-99 FUNDING (Change to Base)	$15,500,000
[Change to Bill	*$15,500,000]*

f. Modify the statutes to specify that participants in wage-paying CSJs would not be eligible for the state EITC and homestead tax credits.

Alternative 4

Maintain the current benefit amounts for grant-paying CSJs and transitional placements. Establish a wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year, with an additional restriction that the total number of work hours for a year could not exceed 1,200. Under this alternative, the cost of reimbursing CSJ employers for the participant's wages and the employer's share of payroll taxes would be approximately equal to the cost of providing the current $555 monthly grant. Three variations of this alternative are shown below:

a. Specify that participants in wage-paying CSJs would not qualify for the state EITC or the homestead tax credit, and provide no additional funding for W-2 agencies.

b. Provide $2.5 million GPR in 1997-98 and $2.1 million GPR in 1998-99, and permit participants in wage-paying CSJs to claim the state EITC but not the homestead credit.

Alternative 4b	GPR
1997-99 FUNDING (Change to Base)	$4,600,000
[Change to Bill	*$4,600,000]*

c. Provide $7.8 million GPR in 1997-98 and $6.4 million GPR in 1998-99, and permit participants in wage-paying CSJs to claim both the state EITC and homestead credit.

Alternative 4c	GPR
1997-99 FUNDING (Change to Base)	$14,200,000
[Change to Bill	*$14,200,000]*

Alternative 5

Increase the benefit amounts for grant-paying CSJs and transitional placements as recommended by the Governor. Establish a wage-paying CSJ placement and permit W-2 agencies to place individuals into wage-paying CSJs for up to 30 hours per week for the entire year, with an additional restriction that the total number of work hours for a year could not exceed 1,450. Under this alternative, the cost of reimbursing CSJ employers for the participant's wages and the employer's share of payroll taxes would be approximately equal to the cost of providing the $673 CSJ grant recommended by the Governor. Six variations of this alternative are shown below:

W-2 Agency Funding

a. Provide no additional funding for W-2 agencies.

b. Provide $11 million in 1997-98 and $10 million in 1998-99 to create a reserve fund in Milwaukee County.

Alternative 5b	ALL FUNDS
1997-99 FUNDING (Change to Base)	$21,000,000
[Change to Bill	*$21,000,000]*

c. Provide $22.0 million in 1997-98 and $23.7 million in 1998-99 to increase funding amounts for all W-2 agencies to cover the costs of the higher grants and employer reimbursements.

Alternative 5c	ALL FUNDS
1997-99 FUNDING (Change to Base)	$45,700,000
[Change to Bill	*$45,700,000]*

EITC and Homestead

d. Provide $3.0 million GPR in 1997-98 and $2.5 million GPR in 1998-99 and permit participants in wage-paying CSJs to claim the state EITC but not the homestead credit.

Alternative 5d	GPR
1997-99 FUNDING (Change to Base)	$5,500,000
[Change to Bill	*$5,500,000]*

e. Provide $8.3 million GPR in 1997-98 and $6.8 million GPR in 1998-99 and permit participants in wage-paying CSJs to claim both the state EITC and homestead credit.

Alternative 5e	GPR
1997-99 FUNDING (Change to Base)	$15,100,000
[Change to Bill	*$15,100,000]*

f. Modify the statutes to specify that participants in wage-paying CSJs would not be eligible for the state EITC and homestead credits.

Alternative 6

Maintain the current grant amounts for CSJs, transitional placements and custodial parents of infants. Maintain the current funding amounts for subsidized employment as provided in the W-2 agency contracts.

Alt #6 w/ motion 7047 (FAIL)

Representative Gard

WORKFORCE DEVELOPMENT

Education and Training for W-2 Participants

Motion:

Move to, in lieu of a grant increase, require W-2 agencies to provide $20 million in each year from their W-2 contract allocations for any of the following education and training activities:

1. Provide customized labor training program for W-2 recipients. Provide that the customized labor training could be used to satisfy the education and work requirements for community service jobs. Specify that the hours spent in customized labor training would first count towards the 10 hours per week of education and training under a CSJ and then would count against the 30 hours per week of work under a CSJ. Specify that customized labor training would involve training for a specific job, where an employer has guaranteed a job placement after successful completion of the training course.

2. Enhancement of the education and training components that are currently defined for the CSJ and transitional placement employment positions.

3. Job coaches and interpreters.

4. Services supporting alcohol and other drug abuse (AODA) treatment including child care, family counseling and in-home counseling.

Note:

Based on current caseload projections, it is estimated that the cost of providing benefits for the subsidized employment components of W-2 will be $114.7 million in 1997-98 and $130.5 million in 1998-99. It is anticipated that the contract amounts for W-2 agencies will include net funding of $155.4 million in 1997-98 and $158.7 million in 1998-99 for subsidized employment. The difference in the estimated cost of subsidized employment and the expected contract amounts is $40.7 million in 1997-98 and $28.2 million in 1998-99.

Under this motion, the W-2 agencies would be directed to provide additional education and training activities for W-2 participants out of their W-2 contract amounts. No additional funding would be provided for these activities.

Motion #7047

MO# 5047 w/ AH #6 in paper 972

2 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 8 NO 8 ABS ____

B. Pro-Rating CSJ Grants

1. If a wage-paying CSJ placement is not adopted, modify the statutes to specify that a W-2 agency could pay a prorated CSJ grant if the participant is assigned to fewer than 30 hours per week because he or she has an unsubsidized part-time job.

2. Maintain current law.

C. Use of Unexpended W-2 Agency Allocations

1. Modify the statutes to prohibit DWD from expending any amount that is returned to the state as part of the allocation of unexpended W-2 agency funding. Require the Department to add such funds to the balance of unexpended TANF revenues that would be carried forward to the next fiscal year.

2. Maintain current law.

Prepared by: Joanne Simpson and Rob Reinhardt

MO# Alt #C1

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 8 NO 8 ABS ____

MO# Alt #B1

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

Representative Coggs

WORKFORCE DEVELOPMENT--ECONOMIC SUPPORT AND CHILD CARE

Custodial Parents of Infants

Motion:

Move to permit an eligible custodial parent of a child less than one year old to receive a community service job (CSJ) grant. Permit the recipient to participate in CSJ work activities, but prohibit the W-2 agency from requiring participation in work activities. Provide $9.7 million in 1997-98 and $11.7 million in 1998-99 to local W-2 agencies to account for increased benefit costs.

Note:

Under current law, an eligible custodial parent of a child that is 12 weeks old or less will be permitted to receive a grant of $555 per month (the same amount that is paid to CSJ participants). The W-2 agency may not require such individuals to participate in a W-2 employment position. This motion would increase the age of the child for this provision to one year, and allow the recipient to voluntarily participate in CSJ work activities. As under current law, receipt of a grant under this provision would generally not count toward the 24-month time limit for CSJ participation or the 60-month limit for participation in all W-2 employment positions.

Compared to current law, this motion would result in estimated increased benefit payments of $9.7 million in 1997-98 and $11.7 million in 1998-99. There would be offsetting savings for child care assistance of $17.6 million in the first year and $21.1 million in the second year.

If the CSJ grant is increased to $673 as recommended by the Governor, the cost for benefit savings would increase to $12.0 million in 1997-98 and $14.4 million in 1998-99. Child care savings would not be modified.

[Change to Base: ~~-$17,300,000 All Funds~~]
[Change to Bill: ~~-$17,300,000 All Funds~~]
-12,000,000 All Funds

MO# 5021

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 6 NO 10 ABS ___

Motion #5021

Representative Coggs

WORKFORCE DEVELOPMENT--ECONOMIC SUPPORT AND CHILD CARE

Custodial Parents of Infants

Motion:

Move to permit an eligible custodial parent of a child less than six months old to receive a community service job (CSJ) grant. Permit the recipient to participate in CSJ work activities, but prohibit the W-2 agency from requiring participation in work activities. Provide $3.5 million in 1997-98 and $4.2 million in 1998-99 to local W-2 agencies to account for increased benefit costs.

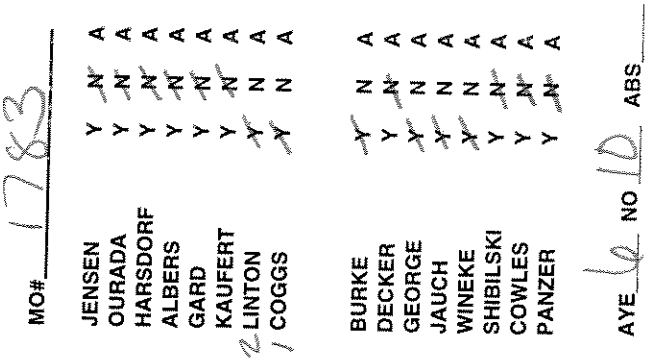
Note:

Under current law, an eligible custodial parent of a child that is 12 weeks old or less will be permitted to receive a grant of $555 per month (the same amount that is paid to CSJ participants). The W-2 agency may not require such individuals to participate in a W-2 employment position. This motion would increase the age of the child for this provision to six months, and allow the recipient to voluntarily participate in CSJ work activities. As under current law, receipt of a grant under this provision would generally not count toward the 24-month time limit for CSJ participation or the 60-month limit for participation in all W-2 employment positions.

Compared to current law, this motion would result in estimated increased benefit payments of $3.5 million in 1997-98 and $4.2 million in 1998-99. There would be offsetting savings for child care assistance of $6.1 million in the first year and $7.3 million in the second year.

If the CSJ grant is increased to $673 as recommended by the Governor, the cost for benefit payments under this motion would increase to $4.3 million in 1997-98 and $5.2 million in 1998-99. Child care savings would not be modified.

[Change to Base: -$5,700,000 All Funds]
[Change to Bill: -$5,700,000 All Funds]



Motion #1783

ATTACHMENT

Disposable Income Under Optional Wage-Paying CSJ
One Parent with Two Children

	Current $555 Grant	Governor's $637 Grant	Wage-Paying CSJ Options 1 & 2 1560 hrs/yr	Wage-Paying CSJ Option 3 1200 hrs/yr	Wage-Paying CSJ Option 4 1450 hrs/yr
Annual Wage/Grant	$6,660	$8,076	$8,034	$6,180	$7,468
Payroll Taxes	0	0	-615	-473	-571
State and Federal Income Tax	0	0	0	0	0
Federal EITC	0	0	3,214	2,472	2,987
Food Stamps	3,225	2,588	2,607	3,409	2,862
Child Care Copay	-336	-336	-336	-336	-336
Disposable Income Before State Credits	$9,549	$10,328	$12,904	$11,252	$12,410
Difference from Current Law		779	3,355	1,703	2,861
State EITC	$0	$0	$450	$346	$418
Homestead	0	0	760	760	760
Disposable Income Including State Credits	$9,549	$10,328	$14,114	$12,358	$13,588
Difference from Current Law		779	4,565	2,809	4,039