



## Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1040

### *Temporary Assistance for Needy Families (TANF)*

## **TANF Overview (DWD -- Economic Support and Child Care)**

### **Papers Regarding the Use of TANF Funding**

The federal temporary assistance for needy families (TANF) program provides an annual block grant to Wisconsin of \$317.5 million, which is the primary funding source for the Wisconsin Works (W-2) program, the child care program and a number of other public assistance expenditures. This office has prepared 18 papers regarding the use of TANF funds in the Department of Workforce Development (DWD) and other agencies. The first paper (#1041) reestimates the 2000-01 ending TANF balance under the bill as recommended by the Governor. The remaining papers are grouped as follows:

**W-2 Agency Contracts.** The next three papers discuss funding for W-2 agency contracts, community reinvestment, performance bonuses, a contingency fund, the contracting process used by DWD and financial oversight of the W-2 program.

**Child Care.** Five papers have been prepared on the child care subsidy program, programs to improve child care quality and availability, the local pass-through program, child care licensing in the Department of Health and Family Services (DHFS) and program reduction options to address the anticipated deficit in child care funding under the bill.

**Other Current Programs in DWD and DHFS.** Four papers have been prepared on other current programs in DWD and DHFS. Reestimates have been done of the amount needed to fully fund the kinship care program the food stamp program for qualified immigrants. In addition, papers have been prepared on proposed increases for the fatherhood initiative and the public assistance collections unit.

**DWD Appropriations Structure.** Two papers have been prepared on legislative oversight of DWD's TANF appropriations. One paper discusses the Governor's proposal to convert two appropriations from annual to continuing appropriations. The second discusses options for oversight by the Joint Committee on Finance over transfers between TANF allocations.

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### *Temporary Assistance for Needy Families (TANF)*

## **Revised Estimates for Wisconsin Works (W-2) and TANF Related Programs (DWD -- Economic Support and Child Care)**

[LFB 2001-03 Budget Summary: Page 401, #6, Page 731, #1, Page 735, #2, Page 736, #6 & #7, Page 737, #10, Page 739, #12 & #13, Page 740, #14 & #15, Page 741, #17, Page 743, #23, Page 746, #36, Page 747, #38 and Page 748, #43]

### **INTRODUCTION**

The purpose of this paper is to establish a projected 2001-03 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The Committee has elected to work from the Governor's recommended funding levels in the budget bill for items related to the Wisconsin Works (W-2) program and other TANF expenditures. However, according to a February 27, 2001, budget errata report from the Department of Administration, certain items included in the Governor's proposed revenues and expenditures contain inadvertent errors. This office has also prepared revised estimates of certain expenditures based on the most recent information available. In addition, the amount of TANF funds available in the 2001-03 biennium is dependent upon the ending TANF balance from the 1999-01 biennium. Therefore, this paper also addresses revised estimates of 2000-01 expenditures.

This paper would modify the Governor's proposal to account for inadvertent errors and revised estimates. Additional papers address modifications that could be considered by the Committee in establishing the budget for the W-2 and child care programs and other expenditures of TANF funds.

Table 1 shows estimated revenues and expenditures for W-2 and other public assistance programs under the budget bill. The table compares the administration's figures with the revised estimates prepared by this office. Note that the table shows the amount of revenue that would be

needed to fully fund programs that are not entitlements, specifically child care subsidies, kinship care and state food stamps for qualified immigrants. If these programs are not fully funded, programmatic changes, statutory changes and/or waiting lists would have to be implemented. The revised revenue and expenditure estimates are discussed in more detail in the sections following the table.

**TABLE 1**  
**Revised Estimates of Public Assistance Revenues and Expenditures**

	Governor		Revised Estimates		Difference	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
<b>REVENUES</b>						
State General Purpose Revenue	\$150,427,200	\$150,427,200	\$150,152,200	\$150,152,200	-\$275,000	-\$275,000
Program Revenue in DWD	1,181,400	1,187,000	1,298,700	1,309,200	117,300	122,200
TANF Block Grant	317,505,200	317,505,200	317,505,200	317,505,200	0	0
Child Care Block Grant	78,114,100	78,114,100	62,008,700	78,033,000	-16,105,400	-81,100
Federal Food Stamp Employment and Training Funds	4,406,300	4,406,300	4,406,300	4,406,300	0	0
Federal Food Stamp Revenue	4,265,600	4,265,600	3,990,500	3,990,500	-275,100	-275,100
Program Revenue from DHFS for Medical Assistance	8,513,000	8,513,000	13,236,000	13,236,000	4,723,000	4,723,000
Child Support Collections	30,498,500	27,498,500	30,498,500	27,498,500	0	0
TANF Carryover from Prior Year	<u>213,457,100</u>	<u>66,080,200</u>	<u>261,539,000</u>	<u>51,653,000</u>	<u>48,081,900</u>	<u>-14,427,200</u>
Total Revenues	\$808,368,400	\$657,997,100	\$844,635,100	\$647,783,900	\$36,266,700	-\$10,213,200
<b>EXPENDITURES</b>						
<b>W-2 Agency Contract Allocations</b>						
Subsidized Employment Benefits	\$50,696,100	\$52,082,600	\$50,696,100	\$52,082,600	\$0	\$0
Administration/ Direct Services	127,047,300	125,660,800	126,100,300	125,660,800	-947,000	0
2000-2001 W-2 Contracts-Carryover from Prior Year	20,136,800	0	20,136,800	0	0	0
Local Agency Performance Bonuses	14,826,200	0	14,772,600	0	-53,600	0
Community Reinvestment-W-2 Agencies	39,383,200	5,559,800	36,353,700	5,539,700	-3,029,500	-20,100
Milwaukee Private Industry Council	500,000	500,000	500,000	500,000	0	0
<b>Child Care</b>						
Direct Child Care Subsidies	\$242,475,000	\$242,475,000	\$274,500,000	\$305,600,000	\$32,025,000	\$63,125,000
Programs to Improve Child Care Quality and Availability	16,253,800	16,439,000	25,226,100	16,390,200	8,972,300	-48,800
Local Pass-Through Program	17,495,000	17,481,100	25,210,800	17,253,200	7,715,800	-227,900
<b>Other Benefits</b>						
Kinship Care	\$24,565,300	\$24,565,300	\$24,852,600	\$24,852,600	\$287,300	\$287,300
Caretaker Supplement for Children of SSI Recipients	18,288,800	16,771,600	20,145,000	19,796,000	1,856,200	3,024,400
Emergency Assistance	3,300,000	3,300,000	3,300,000	3,300,000	0	0
Job Access Loans	1,000,000	1,000,000	1,000,000	1,000,000	0	0
State Food Stamps for Legal Immigrants	550,000	550,000	745,000	950,000	195,000	400,000
Employment Skills Advancement	100,000	100,000	100,000	100,000	0	0
Funerals/Burial Reimbursements	4,550,200	4,550,200	4,550,200	4,550,200	0	0
<b>Child Support Related to W-2</b>						
Child Support Payments	\$18,682,100	\$18,682,100	\$18,682,100	\$18,682,100	\$0	\$0
Children First	2,800,000	2,800,000	2,800,000	2,800,000	0	0
<b>Administrative Support</b>						
State Administration	\$21,745,200	\$21,745,200	\$21,795,300	\$21,807,800	\$50,100	\$62,600
Partnership for Full Employment	1,756,700	1,756,700	1,756,700	1,756,700	0	0
Fraud and Front-End Verification	680,200	686,500	661,400	661,400	-18,800	-25,100
Milwaukee County Liaison	54,100	54,100	54,100	54,100	0	0
W-2 Financial Oversight	500,000	500,000	500,000	500,000	0	0

	Governor		Revised Estimates		Difference	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
<b>Other Support Services</b>						
Work-Based Learning Programs	\$6,399,000	\$2,000,000	\$6,399,000	\$2,000,000	\$0	\$0
Transportation	2,000,000	2,000,000	2,000,000	2,000,000	0	0
Fatherhood	200,000	200,000	200,000	200,000	0	0
<b>Grant Programs</b>						
Workforce Attachment and Advancement	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$0	\$0
Early Childhood Excellence	7,500,000	7,500,000	11,145,900	7,500,000	3,645,900	0
Community Youth Grants	7,079,700	0	7,079,700	0	0	0
Literacy-DWD	1,375,800	750,000	1,375,800	750,000	0	0
AODA Programs	500,000	0	500,000	0	0	0
<b>Expenditures in Other Programs</b>						
Earned Income Tax Credit	\$51,244,500	\$53,665,500	\$51,244,500	\$52,200,000	\$0	-\$1,465,500
Head Start	3,712,500	3,712,500	3,712,500	3,712,500	0	0
Aid to Milwaukee Public Schools	1,410,000	1,410,000	1,410,000	1,410,000	0	0
SSBG Transfer to DHFS/Community Aids	18,086,200	13,494,000	18,086,200	13,494,000	0	0
Adolescent Services/Pregnancy Prevention	1,821,300	1,821,300	1,816,500	1,816,500	-4,800	-4,800
Badger Challenge	83,200	83,200	83,200	83,200	0	0
Early Pregnancy Identification	100,000	100,000	100,000	100,000	0	0
Literacy-Governor's Office	50,000	50,000	50,000	50,000	0	0
Nutrition Services	1,000,000	1,000,000	1,000,000	1,000,000	0	0
Immunization	1,000,000	1,000,000	1,000,000	1,000,000	0	0
Domestic Violence	1,000,000	1,000,000	1,000,000	1,000,000	0	0
Child Abuse and Neglect Prevention Board	340,000	340,000	340,000	340,000	0	0
<b>Total Expenditures</b>	<b>\$742,288,200</b>	<b>\$657,386,500</b>	<b>\$792,982,100</b>	<b>\$722,493,600</b>	<b>\$50,693,900</b>	<b>\$65,107,100</b>
Balance in Federal TANF Funds	\$66,080,200	\$610,600	\$51,653,000	-\$74,709,700	-\$14,427,200	-\$75,320,300

As shown in the table, revenues available for the W-2 program, child care and other related programs are now estimated at \$844,635,100 in 2001-02 and \$647,783,900 in 2002-03. These amounts are higher than the administration's estimates by \$36,266,700 in the first year and lower by \$10,213,200 in the second year. Expenditures under the bill are currently estimated at \$792,982,100 in 2001-02 and \$722,493,600 in 2002-03. Compared to the administration's figures, these amounts are higher by \$50,693,900 in 2001-02 and \$65,107,100 in 2002-03.

As a result of these modifications, the balance in federal TANF funding at the end of the biennium under the bill is currently estimated at a deficit of \$74,709,700.

## REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

**TANF and Child Care and Development Fund (CCDF) Reauthorization.** The TANF block grant and the child care and development fund must be reauthorized by Congress by September 31, 2002. It is unknown at this time what impact reauthorization will have on revenues or maintenance of effort requirements. This paper assumes that revenues will continue at federal fiscal year (FFY) 2001 levels after reauthorization.

**General Purpose Revenue.** The amount of GPR available to fund the TANF program is currently estimated at \$150,152,200 annually. On an annual basis, this is \$275,000 lower than the administration's estimates. This change is based on DWD's current assumption of the amount

of GPR that is dedicated to the food stamp and medical assistance programs in the W-2 contracts.

**Program Revenue.** The bill included \$1,181,400 PR in 2001-02 and \$1,187,000 PR in 2002-03 from collections of public assistance overpayments and job access loan repayments. The amounts from overpayment collections have been increased to reflect anticipated revenues generated from the two positions proposed by the Governor for the public assistance collections unit. Total revenue is projected to be \$1,298,700 in 2001-02 and \$1,309,200 in 2002-03. These projections are greater than the amounts in the bill by \$117,300 in 2001-02 and \$122,200 in 2002-03.

**Child Care and Development Fund.** Total new revenues from CCDF are projected to be lower than the amount assumed by the administration by \$16,105,400 in 2001-02 and \$81,100 in 2002-03, due to an increase in the amount of CCDF discretionary funds available, a net decrease in the amount of CCDF matching funds available, and corrections needed to address inadvertent double counting of earmarked funds in FFYs 1998, 1999 and 2000 as described below. The revenue projections assume that the same amount of funding will be available in future years as for FFY 2001. However, the President's budget proposal includes a \$2.7 million increase in matching funds and a decrease in discretionary funds available after earmarks of \$3.1 million. The President's proposal also includes a new earmark of \$5.6 million that would provide parents with certificates to obtain after-school child care with a high-quality focus for eligible children less than 19 years of age

*a. CCDF Discretionary Funds.* As a result of a Joint Committee on Finance s. 13.10 action on April 24, 2001, \$2,080,100 in additional CCDF discretionary funds are available to be spent on child care programs in 2001-02. In addition, \$2,382,000 in additional quality earmark funds are available, bringing total new discretionary funds to \$4,462,100 in 2001-02. These funds were awarded for FFY 2001 and must be spent by September 30, 2002.

*b. CCDF Matching Funds.* The Governor's budget bill assumed that \$17,267,100 in FFY 2002 CCDF matching funds would be accessed in state fiscal year 2001-02 and allocated for the local pass-through program. However, since the budget was introduced, the administration has indicated that the FFY 2000 and FFY 2001 funds will be used to fund the local pass-through program in state fiscal year 2001-02, resulting in \$17,267,100 in FFY 2002 funds not being accessed by the state. Some state expenditures are used to access CCDF matching funds. Due to anticipated changes in the federal matching rate, the state will not be able to access \$56,900 in 2001-02 and \$81,100 in 2002-03 as assumed in the budget. The total change in matching funds is a decrease of \$17,324,000 in 2001-02 and \$81,100 in 2002-03.

*c. Error Correction for Child Care Quality Earmarks.* In past years, a total of \$3,243,500 earmarked for child care quality improvement was double counted and revenue in 2001-02 must be reduced by a corresponding amount.

**Federal Food Stamp Revenue.** The amount of federal funds for food stamp administration included in the W-2 contracts is estimated at \$3,990,500 annually, which is

\$275,100 less than assumed by the administration. This change is based on DWD's current assumption of the amount of federal revenue dedicated to the food stamp and medical assistance programs in the W-2 contracts.

**Program Revenue from DHFS for Medical Assistance Administration.** The bill included \$8,513,000 annually in program revenue from the Department of Health and Family Services (DHFS) to pay for the MA portion of the W-2 contracts. This amount has been reestimated at \$13,236,000, based on DWD's current assumption of the amount of federal revenue and GPR dedicated to the food stamp and medical assistance programs in the W-2 contracts. The new amount is \$4,723,000 higher than the administration's estimates. The budget bill did not increase DWD's interagency PR-S appropriation to account for this new revenue. An option to increase DWD's PR-S appropriation is included in a separate paper on the proposed transfer of MA administration from DWD to DHFS.

**Carryover of TANF funds from 2000-01 to 2001-02.** The estimated carryover of TANF funding from 2000-01 to 2001-02 is \$261,539,000. This amount is \$48,081,900 higher than the original estimate of \$213,457,100. While the carryover amount is higher than the administration's estimate, it includes \$37,876,800 that is rebudgeted in 2001-02 for the indirect child care program, local pass-through program and early childhood excellence initiative. As a result, only \$10,205,100 of the carryover amount is available for additional TANF-eligible expenditures. The new carryover amount results from several revised estimates of 1999-00 and 2000-01 revenues and expenditures as discussed below.

*a. Actions by Joint Committee on Finance.* Since the Governor's budget was submitted, the Joint Committee on Finance took action under s. 13.10 in April, 2001, to increase federal and GPR funding for child care, increase TANF funding transferred to the social services block grant for the community aids program and decrease the estimate for the amount of EITC payments. The administration assumed that these actions would take place, but at a slightly different amount. The modifications approved by the Committee reduced the 2001-02 opening balance by \$307,900 compared to the administration's assumption.

*b. General Purpose Revenue.* Total GPR for the W-2 program is currently projected at \$159,206,500 in 2000-01, which is \$7,941,700 higher than the amount assumed by the administration.

*c. Program Revenue.* Total program revenues from overpayment collections are expected to be less than budgeted. However, job access loan repayments are expected to be more than budgeted. The net impact of these changes is a decrease of \$20,500 in 2000-01.

*d. Food Stamp Employment and Training (FSET) Program.* Revenues from the FSET program are projected at \$5,400,000 in 2000-01, which is \$1,605,100 higher than the amount assumed by the administration.

e. *Federal Food Stamp and Medical Assistance Revenue.* Total revenues from food stamps and MA associated with the W-2 contracts are projected at \$13,400,000 in 2000-01, which is \$1,143,600 higher than the administration's estimate.

f. *Carryover of TANF funds from 1999-00 to 2000-01.* The amount of TANF funds carried over from 1999-00 to 2000-01 was \$203,700 higher than the administration's estimate, due to updated information on 1999-00 expenditures.

g. *Carryover from 1997-1999 W-2 Contracts.* Final payments for profit associated with the 1997-1999 W-2 contracts were \$2,869,300 higher in 2000-01 than estimated by the administration. In addition, community reinvestment funds associated with the 1997-1999 W-2 contracts are projected to be \$239,500 lower than the amount assumed by the administration based on the final community reinvestment contract amount. These changes result in a net increase of \$2,629,800 in 2000-01 over the amount assumed by the administration.

h. *Community Reinvestment for 2000-2001 W-2 Contracts.* DWD does not anticipate spending any community reinvestment funds associated with the 2000-2001 W-2 contracts in 2000-01 because the amount of community reinvestment that will be allocated to each agency will not be determined until after the contracts end in the next biennium. This represents a \$1,390,000 reduction from the administration's estimate.

i. *Programs to Improve Child Care Quality and Availability.* According to estimates by DWD, a total of \$9,020,100 from contracts to improve child care quality and availability will not be spent in 2000-01 and would need to be carried over to 2001-02. This carryover was not included in the Governor's bill.

j. *Local Pass-Through Program.* Based on recent information, expenditures will be approximately \$754,900 in 2000-01, which is \$25,210,800 less than estimated by the administration. A total of \$10,689,900 from the first round of contracts is not expected to be spent in 2000-01 and \$14,520,900 from the second round of contracts will not be spent because those contracts are not anticipated to be executed until June, 2001. A total of \$25,210,800 would be rebudgeted in 2001-02.

k. *Kinship Care.* The Joint Committee on Finance acted in March, 2001, to provide \$197,800 in 2000-01 to fund kinship care waiting lists. Based on current caseload, 2000-01 expenditures for the kinship care program are estimated at \$24,560,400, which is \$1,425,300 lower than the administration's original estimate.

l. *Caretaker Supplement for Children of SSI Recipients.* Based on current caseload data, caretaker supplement expenditures are estimated at \$20,275,600 in 2000-01, which is \$2,483,700 higher than the administration's original estimates.

m. *Emergency Assistance.* Based on expenditure data through March, 2001, the entire allocation for emergency assistance is likely to be utilized in 2000-01, whereas the administration assumed that there would be a \$500,000 savings.



n. *Food Stamps for Immigrants.* Based on recent caseload information, expenditures for food stamps for qualified immigrants are estimated at \$575,000 in 2000-01, which is \$155,000 higher than the administration's original estimates.

o. *Employment Skills Advancement Grants.* Based on recent and historical expenditure data for this program, expenditures are estimated to be \$95,000 less than projected by the administration.

p. *State administration.* Based on expenditures through March, 2001, it is estimated that \$24,837,600 will be spent on state administration of TANF programs and the partnership for full employment in 2000-01. This is \$1,175,700 less than the administration's estimate.

q. *Fraud and Front-End Verification.* Based on expenditures through March, 2001, a total of \$349,400 is projected to be spent on local level fraud prevention activities in 2000-01. This is \$312,000 less than the administration's estimate.

r. *Early Childhood Excellence Initiative.* Based on recent expenditure information, \$3,645,900 of the \$7,500,000 allocation will not be spent in 2000-01 and will have to be rebudgeted in 2001-02.

s. *Nutrition Services.* A total of \$1,049,300 is anticipated to be spent in 2000-01 on nutrition services, which is \$500,000 lower than assumed by the administration.

t. *Immunization.* A total of \$1,317,100 is anticipated to be spent in 2000-01 on immunization services, which is \$510,000 less than the administration's original estimates.

#### **EXPENDITURES FOR W-2 AND RELATED PROGRAMS IN 2001-03**

**W-2 Contract Allocations.** Based on final contract amounts for the 2000-2001 W-2 contracts, funds for local administration of W-2 are reduced by \$947,000 in 2001-02.

**Performance Bonuses.** The amount of funding provided for performance bonuses associated with the 2000-2001 W-2 contracts is reduced by \$53,600 in 2001-02 to reflect 4% of the final W-2 contract amounts.

**Community Reinvestment.** Funding for community reinvestment is decreased by \$3,029,500 in 2001-02 and \$20,100 in 2002-03. These changes are composed of two components. First, funds are reduced by \$239,500 in 2001-02 based on the final contract amounts for community reinvestment associated with the 1997-1999 contracts. Second, funds are reduced by \$2,790,000 in 2001-02 and \$20,100 in 2002-03 to reflect that only 18 months of funding is anticipated to be needed for community reinvestment associated with the 2000-2001 W-2 contracts instead of 24 months as assumed by the administration, and to reflect the final community reinvestment amount included in the 2001-2002 W-2 contracts. Only 18 months funding would be needed because receipt of the community reinvestment funds for the 2000-

2001 W-2 contracts is tied to meeting the base contract standards and each agency's performance will not be known until after the contracts end in December 31, 2001.

**Child Care Subsidies.** Table 1 shows total estimated costs to fully fund the direct child care program under current law: \$274,500,000 in 2001-02 and \$305,600,000 in 2002-03. These estimates are higher than the funding included in the bill by \$32,025,000 in 2001-02 and \$63,125,000 in 2002-03. Separate papers have been prepared to provide the Committee with options to either change program requirements to limit costs or to provide additional funds for the program.

**Programs to Improve Child Care Quality and Availability.** The amount of funding provided for programs to improve child care quality and availability is reduced by \$47,800 in 2001-02 and \$48,800 in 2002-03 to reflect correct accounting for standard budget adjustments and an inadvertent error. In addition, funding for 2001-02 is increased by \$9,020,100 to reflect anticipated carryover from 2000-01.

**Local Pass-Through Program.** Funding provided for the local pass-through program is reduced by \$227,900 annually to correct an inadvertent error. In addition, funding for 2001-02 is increased by \$7,943,700 in 2001-02 to reflect anticipated carryover from 2000-01.

**Kinship Care.** Funding for the kinship care program is increased by \$190,600 annually to correct an inadvertent budgeting error and to make the allocation consistent with the DHFS budget. In addition, increased funds of \$96,700 would be needed annually for kinship care benefits if the Committee decides to fully fund the program. An alternative to fully fund kinship care is presented in a separate paper.

**Caretaker Supplement.** To correct an inadvertent budgeting error, funding provided is increased by \$138,000 annually. Based on current estimates of the state supplemental security income (SSI) caseload, funding in the bill should be increased by \$1,718,200 in 2001-02 and \$2,886,400 in 2002-03 to support the SSI caretaker supplement program in the 2001-03 biennium. It is currently projected that the regular SSI caseload will continue to decline and the caretaker supplement caseload will continue to increase.

**Food Stamps for Qualified Immigrants.** Expenditures for the food stamps for qualified immigrants program under current law are currently estimated at \$745,000 in 2001-02 and \$950,000 in 2002-03. These estimates are higher than the funding included in the bill by \$195,000 in 2001-02 and by \$400,000 in 2002-03. Because this program is not an entitlement, an option to fully fund this program is presented in a separate paper.

**State Administration.** Expenditures for state administration are increased by \$50,100 in 2001-02 and \$62,600 in 2002-03 to reflect correct accounting for standard budget adjustments and to reflect the TANF portion of the Governor's recommendation to augment the public assistance collections unit.

**Fraud and Front-End Verification.** The amount of funding for fraud prevention activities is reduced by \$18,800 in 2001-02 and \$25,100 in 2002-03. This funding represents the TANF portion of the Governor's recommendation to augment the public assistance collections unit and is instead reflected in the allocation for state administration above.

**Early Childhood Excellence.** The amount of funding for the early childhood excellence initiative is increased by \$3,645,900 to reflect anticipated carryover from 2000-01.

**Earned Income Tax Credit.** TANF provides funding for approximately 80% of the state earned income tax credit. Based on a current law reestimate, the amount for 2002-03 would be reduced by \$1,465,500. Approval of this reestimate is included in a separate paper.

**Adolescent Services and Pregnancy Prevention.** The amount of funding for adolescent services is reduced by \$4,800 annually to be consistent with the figure shown in the PR-S appropriation in DHFS.

#### **ENDING TANF BALANCE**

As indicated in Table 1, the 2002-03 ending TANF balance under the provisions recommended by the Governor is now estimated to be a deficit of \$74.7 million. This assumes that funding for child care subsidies, food stamps for qualified immigrants and kinship care would be increased by the Committee to fully fund these programs. If the Committee chooses not to fully fund these programs, the ending balance would be a surplus of \$21.2 million.

In addition to the estimated \$74.7 million deficit at the end of 2002-03, the Committee should be aware of the structural imbalance in the W-2 program under the bill. Using the revised estimates, except for child care subsidies, ongoing revenues would be \$596.1 million annually and ongoing spending commitments would be \$665.6 million annually. [The \$596.1 million is \$647.8 million in total revenue in 2002-03 less the \$51.7 million carryover from the previous fiscal year.] Therefore, the bill would create a structural imbalance of \$69.5 million per year that would have to be addressed in the 2003-05 biennium. The amount of the structural deficit could be affected by TANF reauthorization. This deficit would be partially offset if not all funds are obligated or spent in the 2001-03 biennium. If additional state funds are not provided, it is likely that significant expenditure reductions in the TANF program would be necessary. It is important to note that if expenditures are cut or additional ongoing funds are provided to cover the anticipated child care shortfall, there would be no impact on the structural deficit.

## MODIFICATION

Modify the Governor's proposal to account for the following inadvertent errors and reestimates described above: (a) a reduction in GPR supporting the TANF program of \$275,000 annually; (b) an increase in program revenue in DWD of \$117,300 in 2001-02 and \$122,200 in 2002-03; (c) a reduction in CCDF revenue of \$16,105,400 in 2001-02 and \$81,100 in 2002-03; (d) a decrease in federal food stamp revenue of \$275,100 annually; (e) an increase in the TANF carryover estimate from 2000-01 to 2001-02 of \$48,081,900; (f) a decrease of \$947,000 in 2001-02 for administration and services in the current W-2 contracts; (g) a decrease of \$53,600 for performance bonuses associated with the current W-2 contracts; (h) a decrease of \$3,029,500 in 2001-02 and \$20,100 in 2002-03 for community reinvestment activities associated with the 2000-2001 W-2 contracts; (i) an increase of \$8,972,300 in 2001-02 and a decrease of \$48,800 in 2002-03 in programs to improve child care quality and availability; (j) an increase of \$7,715,800 in 2001-02 and a decrease of \$227,900 in 2002-03 for the local pass-through program; (k) an increase of \$190,600 annually for the kinship care program to correct an inadvertent error; (l) an increase of \$1,856,200 in 2001-02 and \$3,024,400 in 2002-03 for the caretaker supplement program to correct an inadvertent error and to fully fund the program; (m) an increase of \$50,100 in 2001-02 and \$62,600 in 2002-03 for state administration to correct an inadvertent error; (n) a decrease of \$18,800 in 2001-02 and \$25,100 in 2002-03 for fraud and front-end verification to correct an inadvertent error; (o) an increase of \$3,645,900 in 2001-02 for the early childhood excellence program; and (p) a decrease of \$4,800 annually for adolescent services/ pregnancy prevention programs to correct an inadvertent error. [Funding to account for the revised estimates of the cost of child care subsidies, food stamps for qualified immigrants, kinship care and the earned income tax credit are addressed in separate papers. A separate paper has also been prepared on the proposed MA transfer.]

*Given  
May have a deal  
with board for pp013  
10/12-10/13*

Prepared by: Victoria Carreón



## Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1042

### *Temporary Assistance for Needy Families (TANF)*

### **W-2 Contract Allocations (DWD -- Economic Support and Child Care)**

[LFB 2001-03 Budget Summary: Page 735, #2 thru #4, Page 736, #5 thru #7 and Page 749, #44]

## **CURRENT LAW**

### **Current W-2 Contract Amounts**

The Department of Workforce Development (DWD) is authorized to contract with any person to implement the Wisconsin Works (W-2) program. There are currently 72 agencies, including; (a) 57 county departments of human and social services, (b) eight non-county agencies operating outside of Milwaukee County; (c) five non-county agencies operating in Milwaukee County; and (d) two tribes. There are three for-profit W-2 agencies: Maximus in Milwaukee County; Curtis and Associates in Waukesha County; and the Kaiser Group in Walworth County. All other private agencies are non-profit agencies. Four tribes operate separate state programs as allowed under federal law.

The current W-2 contracts run from January 1, 2000, through December 31, 2001, and provide \$113,393,900 for W-2 employment benefits and \$255,920,600 for direct services and administration. Funds for subsidized employment benefits are used for benefits paid under W-2 employment positions and caretaker of infant grants. Funds for administration cannot exceed 15% of the contract amount and are used for office costs such as salaries and fringe benefits. Funds for direct services are used to provide services such as case management, job training, job readiness, motivation, education and social services.

The funds budgeted in the 1999-01 biennium included funding for approximately the first 18 months of the current contracts, with the assumption that the remaining six months would be budgeted in 2001-02. For budgeting purposes, the amount for benefits was reduced by 13.03% to

reflect anticipated sanctions on W-2 participants, resulting in a two-year budgetary amount for benefits of \$98,619,200 as opposed to the two-year contract amount of \$113,393,900. In addition, the amount budgeted in 1999-01 for administration and direct services assumed a two-year allocation of \$256,867,600 compared to the final contract amount of \$255,920,573.

### **Performance Bonuses**

The current W-2 contracts also include provisions that allow agencies to earn unrestricted performance bonuses/profit equal to up to 4% of their contract amounts if they meet certain criteria, for a total of \$14,772,600 over the two-year contract term. The funds budgeted in the 1999-01 biennium represented approximately 75% of the performance bonuses with the assumption that the remaining 25% would be budgeted in 2001-02. However, the budgetary amounts assumed that the total needed over the two-year contract would be \$14,826,200 as opposed to the final contract amount of \$14,772,600.

### **Community Reinvestment**

The current W-2 contracts include a provision that allows W-2 agencies to receive community reinvestment funds. Agencies can receive a community reinvestment allocation equal to 3% of the 2000-2001 contract amount for a total of \$11,079,400 over the two-year contract. The funds budgeted in the 1999-01 biennium represented approximately 18 months of the contract, with the assumption that the remaining six months would be budgeted in 2001-02. However, the budgetary amounts assumed that the total needed over the two-year contract would be \$11,119,600 as opposed to the final contract amount of \$11,079,400.

These funds can only be spent on activities eligible under the federal temporary assistance for needy families (TANF) block grant for individuals with income at or below 200% of the federal poverty level and are meant to supplement the W-2 contract. Agencies must meet all of the base performance criteria to receive community reinvestment funds associated with the 2000-2001 W-2 contracts. In contrast, agencies did not need to meet any performance standards to receive community reinvestment funds associated with the 1997-1999 W-2 contracts.

### **Contingency Fund**

The current contracts include the ability to access a \$102,000,000 contingency fund set aside in the Joint Committee on Finance's appropriation. The W-2 contracts state that the contingency fund can be used by agencies if the W-2 cash benefit caseload increases due to an economic downturn or the cash benefit caseload increases due to a crisis beyond the control of the agency. Approval by the Joint Committee on Finance under s. 13.10 is necessary to access these funds.

## GOVERNOR

### W-2 Contract Allocations

The bill anticipates that the W-2 contracts for the period of January 1, 2002, through December 31, 2003, will allocate \$104,165,200 for subsidized benefits net of sanctions against participants and \$251,321,600 for administration and direct services. Table 1 below compares the Governor's proposed contract allocations to the current W-2 contracts. The benefits amount for the current W-2 contracts represents the amount budgeted. Under current DWD policy, the full contract amount includes the amount anticipated to be sanctioned against participants but the sanction amount is not included in the budgeted amount. Compared to the current W-2 contract, the amount for benefits would increase by \$5,546,000 and the amount for administration and direct services would be reduced by \$4,599,000 over the contract term for a net increase of \$947,000.

**TABLE 1**

**Comparison of Current W-2 Contract Allocations  
to Governor's Proposal for 2002-2003**

	<u>Benefits</u>	<u>Administration/ Services</u>	<u>Total Contract</u>
Current Contracts (Minus Sanctions)	\$98,619,200	\$255,920,600	\$354,539,800
Governor's Proposal	104,165,200	251,321,600	355,486,800
Difference	\$5,546,000	-\$4,599,000	\$947,000

On a budgetary basis, the total amount for the contracts would remain constant, but the amount for benefits would increase by \$5,546,000 over the contract term and the amount for administration and direct services would decrease by the same amount. The budgetary changes are different from the actual contract changes because the amount for administration and services assumed for budgeting the 2000-2001 contracts was not the same as the final contract amount. For 2001-03, the Governor's budget would reallocate \$1,386,600 in 2001-02 and \$2,773,000 in 2002-03 from administration and services to subsidized employment benefits. Table 2 provides detail on the amounts proposed for the 2001-03 budget.

**TABLE 2****W-2 Agency Contract Allocations Under the Bill**

<b>A. Allocations by Contract Period</b>	<u>2001-02</u>	<u>2002-03</u>
Current Agency Contracts (Six Months)		
Benefits Allocation	\$24,654,800	\$0
Administration and Services Allocation	<u>64,216,900</u>	<u>0</u>
Subtotal	\$88,871,700	\$0
 New Agency Contracts (18 months)		
Benefits Allocation	\$26,041,300	\$52,082,600
Administration and Services Allocation	<u>62,830,400</u>	<u>125,660,800</u>
Subtotal	\$88,871,700	\$177,743,400
 Total	 \$177,743,400	 \$177,743,400
 <b>B. Allocations by Expenditure Category</b>		
Benefits	\$50,696,100	\$52,082,600
Administration and Services	<u>127,047,300</u>	<u>125,660,800</u>
 Total	 \$177,743,400	 \$177,743,400

**Unexpended Funds from 2000-2001 W-2 Contracts**

The bill would provide \$20,136,800 in 2001-02 for costs associated with the 2000-2001 W-2 contracts for benefits and administration/services. These funds were allocated in 1999-00 but were not expended. DWD expects these funds to be spent in 2001-02.

**Performance Bonuses**

The bill would provide \$14,826,200 in 2001-02 to pay the entire amount for performance bonuses associated with the 2000-2001 W-2 contracts, which represents no net change from the adjusted base. For the 2001-03 biennium, no funding would be provided for performance bonuses associated with the 2002-2003 W-2 contracts. Although not specified in the bill, the administration indicates that \$12,500,000 would be needed in 2003-04 for performance bonuses associated with the 2002-2003 W-2 contracts. This would represent approximately 3.5% of the budgeted (net of sanctions) 2002-2003 W-2 contract amount.

**Community Reinvestment**

The bill would provide \$39,383,200 in 2001-02 and \$5,559,800 in 2002-03 for community reinvestment activities associated with the W-2 contracts. Table 3 provides detail on the amounts proposed for the 2001-03 budget.



[Note that the year of the W-2 contract associated with some of these amounts was incorrectly portrayed in the Legislative Fiscal Bureau's Summary of Governor's Budget Recommendations and has been corrected in the table below.]

**TABLE 3**

**Community Reinvestment Allocations by Contract Period**

	<u>2001-02</u>	<u>2002-03</u>
Funds Associated with 1997-1999 Contracts ( Carryover from First Six Months)	\$12,854,600	\$0
Funds Associated with 1997-1999 Contracts ( Last Six Months)	20,968,800	0
Funds Associated with 2000-2001 Agency Contracts (24 Months)	<u>5,559,800</u>	<u>5,559,800</u>
<b>Total</b>	<b>\$39,383,200</b>	<b>\$5,559,800</b>

Although not specified in the bill, the administration indicates that \$11,119,600 would be needed in 2003-05 for community reinvestment associated with the 2002-2003 W-2 contracts. This would represent approximately 3.1% of the budgeted (net of sanctions) 2002-2003 W-2 contract amount.

**Contingency Fund**

The Governor proposes eliminating \$102,000,000 set aside in 1999-01 as a contingency fund for program costs of W-2 agencies.

**DISCUSSION POINTS**

**Fiscal Estimates**

1. The amounts included in the Governor's 2001-02 budget for W-2 contracts, performance bonuses and community reinvestment have been reestimated in Paper #1041. Reestimates were necessary because the amounts budgeted by the Governor for the last six months of the 2000-2001 contracts and the last six months of the community reinvestment funds associated with the 1997-1999 contracts did not accurately represent the actual amount remaining to be budgeted for those contracts. In addition, the Governor's proposed allocations for community reinvestment associated with the 2000-2001 W-2 contracts were reduced to reflect the final contract amounts and to provide 18 versus 24 months of funding due to the anticipated distribution date of the funds. These reestimates are shown in Table 4 below.

**TABLE 4****Reestimated W-2 Contract Allocations**

	Reestimates		Change to Governor	
	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>
Benefits	\$50,696,100	\$52,082,600	\$0	\$0
Administration and Services	126,100,300	125,660,800	-947,000	0
2000-2001 W-2 Contracts--				
Carryover from Prior Year	20,136,800	0	0	0
Local Agency Performance Bonuses	14,772,600	0	-53,600	0
Community Reinvestment	<u>36,353,700</u>	<u>5,539,700</u>	<u>-3,029,500</u>	<u>-20,100</u>
Total	\$248,059,500	\$183,283,100	-\$4,030,100	-\$20,100

The remaining estimates and alternatives contained in this paper are based on the reestimates shown in Table 4. In addition, the alternative numbers are included in the body of this paper for reference purposes.

**Process for Next W-2 Contracts**

2. DWD has begun the process for selecting agencies for the 2002-2003 W-2 agency contracts. DWD plans to have a two-phase process. The first phase is for agencies that met the criteria for right of first selection and the second phase is a request for proposals for geographic regions where agencies did not win right of first selection. Responses for the right of first selection are due by June 4, 2001. A request for proposals is anticipated to be released on June 25, 2001, and proposals will be due on August 6, 2001.

3. DWD's draft contract terms contain several differences from the Governor's recommendations and would require some changes to current law. These differences include contract amounts and the types of services that should be included in the W-2 contract. These issues are discussed below. Other policy changes proposed by DWD for the next W-2 contracts, such as changes in the performance standards, are detailed in Paper #1043.

**W-2 Contract Amounts**

4. In DWD's draft contract terms, the Department proposes that the contract amounts for the 2002-2003 W-2 contracts be \$104,165,200 for benefits, excluding sanctions, and \$208,887,600 for administration and services. DWD's proposed contract amounts are the same as the Governor's for benefits. However, DWD's proposed allocation for administration and services is less than the Governor's proposed allocation to reflect DWD's proposal to move food stamp and medical assistance (MA) eligibility determination from the W-2 contracts to the income maintenance (IM) contracts.

5. Table 5 shows DWD's proposed contract amounts compared to the current contract amounts and the Governor's recommendations for the next contract. Compared to the current contract amounts excluding sanctions, DWD's proposal represents a \$5,546,000 increase in benefits and a \$47,033,000 decrease in administration and services for a net reduction of \$41,487,000. Compared to the Governor's recommendations, DWD's proposal would provide the same amount for benefits and would decrease funding for administration and services by \$42,434,000. Attachments 1 through 3 provide more detail by W-2 region. These charts compare the Governor's allocations with the current contracts, DWD's proposed contract amounts with the current contracts and DWD's proposed contract amounts with the Governor's contract amounts. Note that the Governor did not include specific agency allocations, so this paper uses DWD's methodology to determine each agency's administration and services allocation.

**TABLE 5**

**Comparison of DWD 2002-2003 Contract Amounts  
to Current Contracts and Governor's Proposal**

	<u>Benefits</u>	<u>Administration/ Services</u>	<u>Total Contract</u>
<b>A. Current Contracts Compared to DWD Proposal</b>			
Current Contracts minus sanctions	\$98,619,200	\$255,920,600	\$354,539,800
DWD Proposal	<u>104,165,200</u>	<u>208,887,600</u>	<u>313,052,800</u>
Difference	\$5,546,000	-\$47,033,000	-\$41,487,000
<b>B. Governor's Proposal Compared to DWD Proposal</b>			
Governor's Proposal	\$104,165,200	\$251,321,600	\$355,486,800
DWD Proposal	<u>104,165,200</u>	<u>208,887,600</u>	<u>313,052,800</u>
Difference	\$0	-\$42,434,000	-\$42,434,000

**Benefits Allocation**

6. As of January, 2001, the actual W-2 cash caseload was 6,679 families. DWD calculated its benefits allocation using an average monthly caseload for January, 2000, through January, 2001, and assumed that the W-2 cash benefit caseload has stabilized and will not increase or decrease during the contract period. Each agency received a minimum benefits amount equivalent to five cash cases at a cost of \$645.58 per month. The total cases assumed per month statewide is 6,723 families. Because not all participants receive the average monthly benefit due to sanctions, the number of families that could be served under the budgetary allocation would be about 7,651 families per month. This assumes that the sanction rate will be 14% of benefits, which was the average sanction rate from January, 2000, through January, 2001.

7. The administration states that additional funds were added to the benefits allocation to address the possibility of a caseload increase. It is possible that additional funds for benefits

would be needed because Wisconsin's unemployment rate has been rising. Unemployment rates in recent months have been as follows: 3.4% in December, 2000, 3.8% in January, 2001, 4.3% in February, 2001, and 4.1% in March, 2001.

#### *Options to Decrease Funding for Benefits*

8. Additional funds for benefits may not be needed because the W-2 caseload has steadied, with a -0.03% average monthly change for January, 2000, through January, 2001. Accordingly, the recommendation to provide increased funds for W-2 benefits could be denied. This paper includes alternatives to either reduce funds for benefits or reallocate them to a contingency fund for the W-2 contracts as discussed in the "Contingency Fund" section below. Paper #1046 includes an alternative to utilize these funds for child care subsidies because the Wisconsin Shares child care subsidy program is projected to have a deficit of \$32.0 million in 2001-02 and \$63.1 million in 2002-03.

If the Governor's proposal to increase funds for benefits is denied, there would be savings totaling \$1,386,500 in 2001-02 and \$2,773,000 in 2002-03. Under this option, cash benefits could be provided to approximately 7,244 families per month. (Alternative 2)

If the benefits allocation is based on the January, 2001, caseload of 6,679, the contract allocation would be \$90,926,600, net of sanctions, over the two-year contract term. Under this option, the amount budgeted for benefits would be reduced by \$3,309,700 in 2001-02 and \$6,619,300 in 2002-03. (Alternative 3)

#### *Options to Increase Funding for Benefits*

9. As discussed above, it is possible that the cash benefit caseload will increase due to Wisconsin's rising unemployment rate. Under the benefits allocation proposed by the Governor and DWD, approximately 7,651 families could be served per month. If the average monthly number of cases went up by 2% over the amount assumed by the Governor to 7,804, then the additional amount needed for benefits would be \$520,800 in 2001-02 and \$1,041,700 in 2002-03. If the average went up by 5% to 8,034, then the additional funds needed would be \$1,302,100 in 2001-02 and \$2,604,100 in 2002-03.

DWD currently allows W-2 agencies to transfer funds between their benefits and administration/services allocations as needed. While this could help lessen the impact of increased benefit needs, some agencies may be constrained by how much they can transfer to benefits by the amount of their administration and services allocation and by contractual obligations with service providers.

This paper presents several options to increase the benefits allocation to allow for the possibility that the caseload could increase.

- Provide additional TANF funds for benefits above the Governor's recommendations to allow for the possibility of caseload increases. Additional funds could be provided for a 2%

increase in caseload (\$520,800 in 2001-02 and \$1,041,700 in 2002-03) (Alternative 4a), a 5% increase in caseload (\$1,302,100 in 2001-02 and \$2,604,100 in 2002-03) (Alternative 4b), or any other increase. However, it is difficult to predict the actual caseload change that could occur due to an economic downturn. A chart showing how funds could be allocated by agency over the 24-month contract period appears in Attachment 4.

- Require DWD to conduct an assessment during the twelfth month of the contract to determine where benefit funds are needed and transfer funds for benefits and administration among agencies. This option would have no net fiscal effect and would be more flexible than the option above since it takes a statewide perspective when looking at funding needs and availability. However, the total amount available statewide may not be sufficient to cover the actual need. (Alternative 4c)

- Reestablish a contingency fund similar to the one that was provided in the 1999-01 biennium for W-2 contracts. This option is described in more detail later in this paper.

### **Administration and Services Allocation**

10. DWD calculated its proposed administration and services allocation based on total caseload for W-2 cash assistance, W-2 case management, the food stamp employment and training (FSET) program and child care subsidies. Caseload figures for FSET and child care represent an average monthly caseload for January, 2000, through February, 2001. For W-2 cash assistance and W-2 case management, the projections reflect the monthly average for the period of January, 2000, through January, 2001. Additions were also made for the number of W-2 assistance groups where the adult has less than a high school education and where the W-2 assistance group includes a disabled child or adult. These caseload numbers were added to create an adjusted caseload of 41,220 cases. Each agency's proportion of the adjusted caseload was then multiplied by the proposed total allocation for administration and services. Small agencies were provided a supplement to their administration and services allocation in order for their total allocation to equal a minimum of \$250,000.

11. DWD's proposed allocation for administration and services is \$42,434,000 lower than the Governor's allocation because DWD proposes to transfer funds for food stamp and MA eligibility determination from the W-2 contracts to the IM contracts with counties and tribes. The current W-2 contracts require W-2 agencies to determine MA and food stamp eligibility of persons who come to their offices to apply for W-2. Because federal law does not allow private agencies to perform this eligibility determination, private W-2 agencies subcontract with counties for this work. Counties and tribes also contract separately with DWD for MA and food stamp eligibility determination of non-W-2 related participants. DWD states that it proposed moving MA and food stamp eligibility determination to the IM contracts in order for W-2 agencies to focus on the employment and training needs of W-2 and FSET participants. In addition, the Department indicates that this change would simplify and clarify lines of authority since IM agencies would no longer need to subcontract with private W-2 agencies.

12. DWD calculated the amount to deduct for food stamp and MA eligibility

determination based on the total amount transferred from the income maintenance contracts to the W-2 contracts for these services in 1997. This two-year amount totaled \$42,434,000. Although funding in the W-2 contracts for administration and services would decrease, there would be a corresponding increase in the allocation for income maintenance contracts, resulting in no net budgetary impact. Table 6 below shows the impact on the W-2 and income maintenance contracts on both a contractual and budgetary basis.

**TABLE 6**

**Impact of Transferring Medical Assistance and Food Stamps from the W-2 Contracts to the Income Maintenance Contracts**

	<u>Governor</u>	<u>DWD Proposal</u>	<u>Difference</u>
<b>A. Total Allocations for New Contracts</b>			
W-2 Administration/Services Allocation	\$251,321,600	\$208,887,600	-\$42,434,000
Amount Added to IM Contracts	<u>0</u>	<u>42,434,000</u>	<u>42,434,000</u>
Total Contract Allocations	\$251,321,600	\$251,321,600	\$0
<b>B. 2001-02 Budget Allocation</b>			
2000-2001 W-2 Administration/ Services (6 months)	\$63,269,900	\$63,269,900	\$0
2002-2003 W-2 Administration/ Services Allocation (6 months)	62,830,400	52,221,900	-10,608,500
Amount Added to IM Contracts (6 months)	<u>0</u>	<u>10,608,500</u>	<u>10,608,500</u>
Total Budget Allocation	\$126,100,300	\$126,100,300	\$0
<b>C. 2002-03 Budget Allocation</b>			
2002-2003 W-2 Administration/ Services Allocation (12 months)	\$125,660,800	\$104,443,800	-\$21,217,000
Amount Added to IM Contracts (12 months)	<u>0</u>	<u>21,217,000</u>	<u>21,217,000</u>
Total Budget Allocation	\$125,660,800	\$125,660,800	\$0
Total 2001-03 Allocation	\$251,761,100	\$251,761,100	\$0

13. To remove food stamps from the W-2 contracts, an existing statutory provision would have to be deleted that requires W-2 agencies to conduct food stamp eligibility determination for W-2 participants to the extent permitted by federal law or waiver. While private W-2 agencies are not currently allowed to perform these functions, county W-2 agencies are currently performing food stamp eligibility determination. Under current law, there is also a related provision that allows W-2 agencies to administer MA eligibility determination to the extent permitted by federal law or waiver. This provision could also be deleted if the Committee no longer wishes to reserve the ability for W-2 agencies to administer MA eligibility determination should federal law change or a waiver be granted. (Alternative 6)

14. Alternatively, the Committee could leave funds for MA and food stamp eligibility determination in the W-2 contracts. It could be argued that without these funds in the contracts, counties and W-2 agencies would not have the same incentive to co-locate eligibility determination and participants may not be able to get all the services they need in one place. However, DWD would require the W-2 and IM agencies to collaborate and DWD does not expect any impact on

service delivery. (Alternative 5)

15. If the Committee would like to keep MA and food stamps in the W-2 contracts as proposed by the Governor, the Committee would have to make a technical clarification to make the statutes internally consistent. The bill would require DWD and DHFS to contract with counties for MA administration and would require DWD to contract with counties for food stamp administration. However, separate statutory provisions would continue to allow the departments to contract with W-2 agencies to determine eligibility for MA and food stamps, if permitted by federal law or waiver. While federal law does not currently allow private agencies to determine eligibility for food stamp and MA recipients, the statutory language would need to be changed if the Committee would like to reserve the ability to have W-2 agencies administer these programs if a federal law change or waiver is obtained in the future. To make the statutes more internally consistent, s. 49.33(2) could be modified to allow DWD and DHFS to contract with counties for MA eligibility determination if federal law changes or a waiver is received and to make an exception to the requirement that DWD contract with counties for food stamps of W-2-related participants if federal law changes or a waiver is received. (Alternative 5)

16. Whether the Committee decides to include MA and food stamp eligibility in the W-2 contracts, it is important to analyze whether the proposed administration and services allocation is appropriate. In DWD's recommendations, the administration and services funds were distributed proportionally to the agencies based on anticipated caseload, but an effort was not made to determine the actual administration and services cost need per case. This methodology makes each agency's allocation dependent on its relative share of the caseload as opposed to its own caseload. For example, if an agency's caseload is projected to stay the same, but caseload in other counties is decreasing as a whole, then that agency's allocation would increase instead of remain the same.

17. Since DWD is not anticipating a caseload change, actual expenditures for the current W-2 contract could be an effective proxy for the cost of the current caseload, including eligibility determination of medical assistance and food stamps. A review of expenditures for administration and services from January, 2000, through February, 2001, shows that current expenditures are comparable to the amount recommended by the Governor. However, it is unclear whether current expenditures are a function of the cost of serving the current caseload or a function of the amount available.

18. The Committee may want to decrease the amount of funding for administration and services because audits performed by the Legislative Audit Bureau have found that some W-2 agencies have misspent funds and have awarded large bonuses to staff. An option would be to decrease funds for administration and services by 2%, 5% or some other amount, while keeping the amount for food stamp and MA eligibility determination constant. If the Committee decides to retain food stamps and MA in the W-2 contracts, a 2% decrease in the administration and services allocation would result in a two-year contract allocation of \$247,143,800 and a 5% decrease would result in an allocation of \$240,877,200. If the Committee decides to transfer food stamps and MA to the IM contracts, a 2% decrease in the administration and services allocation would result in a two-year allocation of \$204,709,900 and a 5% decrease would result in an allocation of \$198,443,200.

Attachment 5 shows allocations by agency under each of these scenarios. Regardless of whether the Committee decides to transfer MA and food stamps to the IM contracts, the budgetary impact for a 2% reduction would be \$1,044,400 in 2001-02 and \$2,088,900 in 2002-03, while the budgetary impact for a 5% reduction would be \$2,611,100 in 2001-02 and \$5,222,200 in 2002-03.

### **Performance Bonuses Allocation**

#### *2000-2001 W-2 Contracts*

19. The Governor provided \$14,772,600, as reestimated, to pay the full amount of unrestricted performance bonuses for the current W-2 contracts. Agencies that meet all of the base contract benchmarks are eligible to receive performance bonuses. Agencies that meet the benchmark for the first performance bonus benchmark can receive 2% of the contract amount. Agencies that meet the benchmark for the second performance bonus benchmark can receive a second 2% of the contract amount for a total of 4%. Based on performance of W-2 agencies for calendar year 2000 on the required performance criteria and the optional criteria, a total of \$12,820,800 is projected to be allocated, leaving a savings of \$1,951,800. Table 7 below illustrates the percentage of W-2 agencies currently meeting the criteria for each tier of the required and optional performance bonuses.

**TABLE 7**

#### **Percentage of W-2 Agencies Meeting Performance Bonus Standards as of December, 2000**

<u>Performance Standard</u>	<u>First 2%</u>	<u>Second 2%</u>
Entered Employment Rate	88%	71%
Wage Rate	100%	97%
Job Retention- 30 day follow-up	86%	60%
Job Retention- 180 day follow-up	89%	74%
Full and Appropriate Engagement	93%	83%
Basic Education Activities	89%	75%
Health Benefits	71%	50%
 <u>Optional Standards</u>		
Faith-Based Contract		82%
Educational Attainment		10%

20. The Committee could reduce the allocation for performance bonuses to reflect the anticipated savings of \$1,951,800 to be allocated for other TANF-eligible uses. This paper includes alternatives to either reduce these funds or reallocate them to a contingency fund for the W-2 contracts as discussed in the "Contingency Fund" section below. (Alternative 8a)



21. It could be argued that the Committee should not count on the entire \$1,951,800 in projected underspending for the performance bonuses because the data is based on calendar year 2000, and agencies may improve their performance prior to the end of the contract, making them entitled to more of the performance bonus allocation. An option would be to reduce the performance bonus amount by \$1,000,000, \$500,000, or some other amount.

22. Alternatively, the Committee could choose to reduce or eliminate the allocation for performance bonuses associated with the 2000-2001 W-2 contracts due to other funding needs, such as a W-2 contract contingency fund and child care subsidies. While the current contracts state that funds will be available for performance bonuses, the contracts also contain a clause stating that the obligations of DWD are contingent upon authorization and budget appropriations by the federal government and State Legislature. The Legislative Reference Bureau indicates that this clause is unclear and could be interpreted either as requiring the Legislature to appropriate funds for performance bonuses or as allowing the Legislature to appropriate the funds designated for performance bonuses for other TANF-eligible uses. Therefore, litigation could result if funds included in the current W-2 agency contracts were reallocated. (Alternative 8b)

#### *2002-2003 W-2 Contracts*

23. For the 2002-2003 W-2 contracts, the Governor did not provide any funds for performance bonuses because they would not be paid out until after the contracts end in December, 2003. This is consistent with DWD's proposed contract terms for the next contracts.

24. Although not specified in the bill, the administration indicates that \$12,500,000 would be set aside in the 2003-05 biennium for performance bonuses associated with the next W-2 contracts. This represents approximately 3.5% of the Governor's budgeted amount for the W-2 contracts. If the Committee adopts DWD's contract amounts (which have been reduced to account for moving MA and food stamp eligibility determination to the IM contracts), then \$12,500,000 in performance bonuses would represent approximately 4.0% of the contract amounts.

25. DWD's proposed contract terms do not specify an amount for the performance bonuses. However, they do modify the performance criteria necessary to receive unrestricted bonuses. These modifications are discussed in detail in Paper #1043. Because the Legislature cannot be bound to a future budget allocation, DWD's proposed contract terms contain a clause stating that the obligations of DWD are contingent upon legislative authorization and budget appropriations by the federal government and State Legislature. However, the Committee may want to signify its intent to provide a certain amount for performance bonuses, if any, by instructing DWD to modify its contract terms to include a specific amount.

26. It could be argued that the performance bonuses for the 2002-2003 contracts should be set at the \$12,500,000 level or should be restored to the level included in the current W-2 contracts of 4% of the contract amount, because performance bonuses are effective incentives for W-2 agencies and help improve outcomes for W-2 participants. As shown in Table 7 above, the vast majority of agencies are currently meeting the first tier standards and a majority of agencies are meeting the second tier standards. The Committee could opt to use another percentage such as 3.5%

of the contract amount or 3.0% of the contract amount. If a percentage is used, the amount for performance bonuses would depend on the final contract amount. If the Governor's proposed total contract amount of \$355,486,800 is adopted by the Committee, a 4% bonus would total \$14,219,500, a 3.5% bonus would total \$12,442,000 and a 3.0% bonus would total \$10,664,600. The Committee could also specify any other dollar amount or percentage of the contract for the performance bonus allocation. (Alternative 9)

27. Alternatively, the Committee may not want to designate a specific amount for performance bonuses. The TANF program has a structural imbalance and it is unclear how much funding would be available in the 2003-05 biennium to pay for performance bonuses. Under the Governor's recommendations as corrected and reestimated, there would be a negative balance of \$74.7 million at the end of 2002-03. Since ongoing revenues do not meet ongoing expenditure needs, there is also a structural deficit of \$69.5 million per year. The Committee could direct DWD to not include a specific amount for performance bonuses in the 2002-2003 W-2 contracts, so that the Legislature can evaluate the funding available for bonuses as part of the 2003-05 budget process. Some may argue against this alternative because it creates uncertainty for W-2 agencies as to how much performance bonus funding will be available. (Alternative 10)

28. Another alternative would be to eliminate performance bonuses from the 2002-2003 W-2 contracts. The Committee may want to consider this option in light of the TANF structural deficit described above. In addition, some have argued that W-2 agencies should not receive performance bonuses because the funds do not go directly towards services for low-income families as intended by the TANF block grant. If the Committee eliminates performance bonuses, the statutes would still require agencies to meet performance standards established by the Department. If a W-2 agency does not meet the standards, then the Department may withhold or recover any payment from the W-2 agency. (Alternative 11)

## **Community Reinvestment Allocation**

### *Current Contracts*

29. The funds included in the Governor's proposed budget for community reinvestment would cover activities associated with the 1997-1999 and 2000-2001 contracts. As reestimated, a total of \$33,583,800 would be provided for the 1997-1999 contracts. This consists of \$12,734,800 in unspent funds from the first six months of the contracts that needs to be rebudgeted and \$20,849,000 that has not yet been budgeted for the last six months of the contracts. In addition, \$8,329,700 would be provided for the 2000-2001 contracts.

30. The deadline for spending community reinvestment funds associated with the 1997-1999 contracts was originally December 31, 2001. This deadline was recently extended for six months to allow community reinvestment funds to serve as an informal contingency fund for agencies that exceed their base W-2 contract amounts. According to DWD's policy, any funds not spent by January, 2002, will be reduced by 25% and DWD will reallocate these funds to agencies that have exceeded their W-2 contract funds.

31. An option would be to formally place the \$33,583,800 in unspent community reinvestment funds associated with the 1997-1999 W-2 contracts in a statewide contingency fund to be used for the W-2 contracts throughout the next biennium. This option would allow the unspent funds to be used for a longer period of time than proposed by DWD. In addition, this option would allow the funds to only go to those agencies that have the most needs. Another option would be to place only a portion of the \$33,583,800 in the contingency fund.

32. For the 2000-2001 W-2 contracts, the bill as reestimated would provide 18 months funding totaling \$8,329,700. In order to receive these funds, agencies must meet all of the base performance standards. Based on agency performance in calendar year 2000, two agencies were not meeting all of the base performance standards, creating a potential savings of \$34,700. Since this data represents only the first half of the contract term, these two agencies could improve their performance and become eligible for all of their community reinvestment funds. Therefore, any significant savings in this allocation are unlikely.

33. The Committee could choose to reduce or eliminate the allocation for community reinvestment associated with the 1997-1999 and 2000-2001 W-2 contracts due to other funding needs, such as a W-2 contract contingency fund and child care subsidies. As stated earlier, the Legislative Reference Bureau states that the funding clause in the contracts is unclear but could be interpreted as allowing the Legislature to decide to appropriate these funds for other uses. (Alternative 12)

#### *2002-2003 W-2 Contract*

34. Agencies currently have to meet all of the base contract benchmarks to receive community reinvestment funds. In DWD's proposed contract terms for the 2002-2003 contracts, agencies would have to meet performance standards above the base contract benchmark level to receive the funds. These modifications are discussed in detail in Paper #1043.

35. For the 2002-2003 W-2 contracts, the Governor did not provide any funds for community reinvestment because funds would not be paid out until after the contracts end in December, 2003. This is consistent with DWD's proposed contract terms for the next contracts.

36. Although not specified in the bill, the administration indicates that \$11,119,600 would be set aside in the 2003-05 biennium for community reinvestment associated with the next W-2 contracts. This represents approximately 3.1% of the Governor's budgeted amount for the W-2 contracts. If the Committee adopts DWD's lower W-2 contract amounts, then the \$11,119,600 amount for community reinvestment would represent approximately 3.6% of the contract amounts.

37. DWD's proposed contract terms do not specify an amount for community reinvestment. Because the Legislature cannot be bound to a future budget allocation, DWD's proposed contract terms contain a clause stating that the obligations of DWD are contingent upon legislative authorization and budget appropriations by the federal government and State Legislature. However, the Committee may want to signify its intent to provide a certain amount for community reinvestment, if any, by instructing DWD to modify its contract terms to include a specific amount.

38. It could be argued that the community reinvestment for the 2002-2003 contracts should be set at the \$11,119,600 level proposed by the Governor because community reinvestment funds provide a supplement to the W-2 contract and also provide a variety of services to low-income families throughout the state. The Committee could opt to use another percentage such as 3.0% of the contract amount or 2.5% of the contract amount. If a percentage is used, the amount for community reinvestment would depend on the final contract amount. If the Governor's proposed total contract amount of \$355,486,800 is adopted by the Committee, a 3.0% bonus would total \$10,664,600 and a 2.5% bonus would total \$8,887,200. The Committee could also specify any other dollar amount or percentage of the contract for the performance bonus allocation. (Alternative 13)

39. Alternatively, the Committee may not want to designate a specific amount for community reinvestment due to the structural imbalance in the TANF program. The Committee could direct DWD to not include a specific amount for community reinvestment in the 2002-2003 W-2 contracts, so that the Legislature can evaluate the funding available for community reinvestment as part of the 2003-05 budget process. Some may argue against this alternative because it would create uncertainty for W-2 agencies as to how much community reinvestment funding will be available. (Alternative 14)

40. Another alternative would be to eliminate community reinvestment from the 2002-2003 W-2 contracts. The Committee may want to consider this option in light of the TANF structural deficit described above. In addition, some have argued that W-2 agencies should not receive community reinvestment funds because the services being provided should be accomplished through the base W-2 contract. (Alternative 15)

### **Contingency Fund**

41. The Governor's proposed budget eliminates the \$102,000,000 contingency fund for W-2 contracts that was provided in the 1999-01 biennium.

Some of the W-2 agencies have raised concerns that there may be insufficient funds available for benefits if there is an economic downturn and the number of participants increases. Based on expenditures from January, 2000, through February, 2001, 19 agencies are projected to exceed their 2000-2001 contract allocations, while 53 agencies may not spend their total contract allocation. In lieu of the options presented above to increase the benefits allocation, a contingency fund could be retained in the next biennium.

This paper presents several options for reinstating a contingency fund. Each of these alternatives could be used in combination or separately. Note that some of these alternatives would take funds from existing contracts. While the funding change clause in the contracts could be interpreted as allowing the Legislature to take this action, the Legislative Reference Bureau indicates that the funding change clause could also be interpreted as requiring the Legislature to appropriate funding for the original purposes. Therefore, litigation could result if funds included in the current W-2 agency contracts were reallocated. (Alternative 16)

- Utilize the savings resulting from reestimates of the amounts for administration and

services, community reinvestment and performance bonuses. As shown in Table 4, the savings from these reestimates total \$4,030,100 in 2002-03 and \$20,100 in 2002-03.

- Deny the Governor's proposed increase in benefits and reallocate \$1,386,500 in 2001-02 and \$2,773,000 in 2002-03 to the contingency fund. This may be a more attractive option than simply leaving these funds in the benefits allocation because it ensures that agencies will only have access to the funds if they are necessary.

- Use the January, 2001, caseload as the basis for the benefits allocation and reallocate \$3,309,700 in 2001-02 and \$6,619,300 in 2002-03 to the contingency fund. Like the option above, this would ensure that agencies would only have access to the funds if they are necessary.

- Reduce the \$14,772,600 set aside for performance bonuses for the current W-2 contracts by \$1,951,800 to reflect projections of the amount of funding that will be needed based on calendar year 2000 performance.

- Reduce or eliminate the \$14,772,600 set aside for performance bonuses for the current W-2 contracts and use this funding to create a contingency fund.

- Reduce or eliminate the \$33,583,800 in community reinvestment funds associated with the 1997-1999 W-2 contracts. These funds represent \$12,734,800 remaining unspent from the first six months of the contracts, as well as \$20,849,000 that has not yet been budgeted for the last six months of those contracts.

- Reduce or eliminate the \$8,329,700 set aside for community reinvestment associated with the 2000-2001 W-2 contracts.

## **ALTERNATIVES TO BILL**

### **Governor's Recommendation**

1. Adopt the Governor's recommendations to make the following changes relative to the W-2 agency contract allocations, as updated for reestimates: (a) increase funds for subsidized employment benefits by \$1,386,500 FED in 2001-02 and \$2,773,000 FED in 2002-03; (b) decrease funds for administration and services by \$2,333,500 FED in 2001-02 and \$2,773,000 FED in 2002-03; (c) provide funding of \$20,136,800 FED in 2001-02 for costs associated with the 2000-2001 W-2 contracts for benefits and administration/services; (d) eliminate funding for the contingency fund of \$102,000,000 FED; (e) reduce funding for performance bonuses by \$53,600 FED in 2001-02; and (f) increase funds for community reinvestment associated with the 1997-1999 W-2 contracts and the 2000-2001 W-2 contracts by \$30,793,900 FED in 2001-02 and decrease funds by \$20,100 FED in 2002-03.

### **W-2 Benefits**

2. Deny the recommended increase in W-2 benefits, which would provide benefits for

7,244 families on a monthly basis as opposed to 7,651 families under the Governor's proposal, resulting in a decrease of \$1,386,500 FED in 2001-02 and \$2,773,000 FED in 2002-03.

<b>Alternative 2</b>	<b>FED</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$4,159,500

3. Reduce funds for W-2 benefits to fund the January, 2001, caseload of 6,679 families per month as opposed to 7,651 families per month under the Governor's proposal, resulting in a decrease of \$3,309,700 FED in 2001-02 and \$6,619,300 FED in 2002-03.

<b>Alternative 3</b>	<b>FED</b>
<b>2001-03 FUNDING</b> (Change to Bill)	- \$9,929,000

4. Provide W-2 agencies with additional funds for benefits by adopting one or more of the following alternatives.

a. Provide additional funds of \$520,800 FED in 2001-02 and \$1,041,700 FED in 2002-03 to reflect a 2% increase over the estimated monthly caseload used by the Governor (7,804 instead of 7,651).

<b>Alternative 3a</b>	<b>FED</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$1,562,500

b. Provide additional funds of \$1,302,100 FED in 2001-02 and \$2,604,100 FED in 2002-03 to reflect a 5% increase over the estimated monthly caseload used by the Governor (8,034 instead of 7,651).

<b>Alternative 3b</b>	<b>FED</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$3,906,200

c. Modify the statutes to require DWD to conduct an assessment during the 12<sup>th</sup> month of the next W-2 contract term to determine whether funding adjustments need to be made between agencies. Authorize DWD to transfer funds from any agency in the state to any other agency in the state. Direct DWD to include these provisions in the next W-2 contracts.

### **Medical Assistance and Food Stamps**

5. Adopt the Governor's recommendation to retain eligibility determination for food stamps and MA in the W-2 contracts. Clarify in s. 49.33(2) that DWD and DHFS would be permitted to contract with non-county agencies for MA and that DWD would be permitted to

contract with non-county agencies for food stamp administration, if permitted by federal law or a waiver by the U.S. Department of Health and Human Services.

6. Transfer food stamp and MA eligibility determination from the W-2 contracts to the income maintenance contracts and:

a. Delete the provision in current law requiring W-2 agencies to certify eligibility for and issue food stamps, to the extent permitted by federal law or a waiver from the U.S. Department of Health and Human Services.

b. Delete the provision in current law allowing W-2 agencies to administer MA eligibility determination to the extent permitted by federal law or a waiver from the U.S. Department of Health and Human Services.

### **Administration and Services Allocation**

7. Decrease the allocation for administration and services in the W-2 contracts by one of the following amounts:

a. 2% from the Governor's recommendation (net of amounts for MA and food stamp eligibility determination) for a total savings of \$1,044,400 FED in 2001-02 and \$2,088,900 FED in 2002-03.

<b>Alternative 7a</b>	<b>FED</b>
2001-03 FUNDING (Change to Bill)	\$3,133,300

b. 5% from the Governor's recommendation (net of amounts for MA and food stamp eligibility determination) for a total savings of \$2,611,100 FED in 2001-02 and \$5,222,200 FED in 2002-03.

<b>Alternative 7b</b>	<b>FED</b>
2001-03 FUNDING (Change to Bill)	\$7,833,300

### **Performance Bonuses**

8. Reduce the allocation for performance bonuses in 2001-02 by:

a. \$1,951,800 FED in 2001-02 to reflect the amount of bonuses agencies are projected to receive based on calendar year 2000 performance.

<b>Alternative 8a</b>	<b>FED</b>
2001-03 FUNDING (Change to Bill)	-\$1,951,800

- b. \$14,772,600 FED in 2001-02 to provide funds for other TANF-eligible uses.

<b>Alternative 8b</b>	<b>FED</b>
<b>2001-03 FUNDING (Change to Bill)</b>	<b>- \$14,772,600</b>

9. Instruct DWD to place a specific amount in the contract terms for the 2002-2003 W-2 contracts for performance bonuses of:

- a. \$12,500,000 as recommended by the Governor.
- b. 4.0% of the contract amount.
- c. 3.5% of the contract amount.
- d. 3.0% of the contract amount.

10. Direct DWD not to place a specific amount in the contract terms for the 2002-2003 W-2 contracts for performance bonuses.

11. Direct DWD to eliminate performance bonuses from the 2002-2003 W-2 contracts.

### **Community Reinvestment**

12. Reduce the allocation for community reinvestment in 2001-03 by:

- a. \$20,849,000 FED to reflect not providing funding for the last six months of community reinvestment associated with the 1997-1999 W-2 contracts.

<b>Alternative 12a</b>	<b>FED</b>
<b>2001-03 FUNDING (Change to Bill)</b>	<b>- \$20,849,000</b>

- b. \$12,734,800 FED to reflect not rebudgeting funds that were unspent in 1999-01 for the first six months of community reinvestment associated with the 1997-1999 W-2 contracts.

<b>Alternative 12b</b>	<b>FED</b>
<b>2001-03 FUNDING (Change to Bill)</b>	<b>- \$12,734,800</b>

- c. \$2,769,900 FED in 2001-02 and \$5,559,800 FED in 2002-03 to reflect not providing



funding for 18 months of community reinvestment associated with the 2000-2001 W-2 contracts.

<b>Alternative 12c</b>	<b>FED</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$8,329,700

13. Direct DWD to place a specific amount in the contract terms for the 2002-2003 W-2 contracts for community reinvestment of:

- a. \$11,119,600, as recommended by the Governor.
- b. 3.0% of the contract amount.
- c. 2.5% of the contract amount.

14. Direct DWD not to place a specific amount in the contract terms for the 2002-2003 W-2 contracts for community reinvestment.

15. Direct DWD to eliminate community reinvestment funding from the 2002-2003 W-2 contracts.

#### **Contingency Fund**

16. Create a contingency fund for the W-2 contracts during the 2001-03 biennium by taking one or more of the following actions:

a. Reallocate savings resulting from reestimates of the administration and services, community reinvestment and performance bonus allocations for 2001-03 totaling \$4,030,100 FED in 2001-02 and \$20,100 FED in 2002-03.

b. Deny the Governor's proposed increase in benefits and reallocate the savings totaling \$1,386,500 FED in 2001-02 and \$2,773,000 FED in 2002-03.

c. Decrease the amount for benefits to reflect the January, 2001, W-2 cash caseload and reallocate the savings totaling \$3,309,700 FED in 2001-02 and \$6,618,300 FED in 2002-03.

d. Reallocate up to \$1,951,800 FED for performance bonuses for the 2000-2001 W-2 contracts to reflect the amount of bonuses agencies are projected to receive based on calendar year 2000 performance.

e. Reallocate up to \$14,772,600 FED for performance bonuses associated with the 2000-2001 W-2 contracts.

f. Reallocate up to \$33,583,800 FED in community reinvestment funds in 2001-02 associated with the 1997-1999 W-2 contracts.

g. Reallocate up to \$2,769,900 FED in 2001-02 and \$5,559,800 FED in 2002-03 in community reinvestment funds associated with the 2000-2001 W-2 contracts.

**Maintain Current Law**

- 17. Maintain current law.

<b>Alternative 17</b>	<b>FED</b>
<b>2001-03 FUNDING (Change to Bill)</b>	<b>- \$49,910,000</b>

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**ATTACHMENTS**

- Attachment 1 Governor's Bill Compared to Current Contract Amounts
- Attachment 2 DWD's Proposed Allocations Compared to Current Contract Amounts
- Attachment 3 Governor's Bill Compared to DWD's Proposed Allocations
- Attachment 4 Alternative to Increase Benefits Allocation
- Attachment 5 Options to Reduce Administration and Services Allocations

## ATTACHMENT 1

### Governor's Bill Compared to Current Contract Amounts

W-2 Geographic Area	Proposed Allocations*			Current Contracts			Difference from Current Contract		
	Benefits	Services	Total Contracts	Benefits**	Services	Total Contracts	Benefits	Services	Total Contract
Adams Co	\$77,469	\$444,944	\$522,413	\$68,837	\$420,934	\$489,771	\$8,632	\$24,010	\$32,642
Ashland Co	77,469	633,893	711,362	68,837	580,846	649,683	8,632	53,047	61,679
Bad River Tribe	92,963	255,995	348,958	99,069	236,089	335,158	-6,106	19,906	13,800
Barron Co	77,469	1,017,886	1,095,355	68,837	1,170,375	1,239,212	8,632	-152,489	-143,857
Bayfield Co	77,469	255,995	333,464	68,837	320,850	389,687	8,632	-64,855	-56,223
Brown Co	278,889	4,754,196	5,033,085	121,085	3,671,673	3,792,758	157,805	1,082,523	1,240,328
Buffalo Co	77,469	262,090	339,559	99,069	286,089	385,158	-21,600	-23,999	-45,599
Burnett Co	77,469	195,044	272,513	68,837	370,850	439,687	8,632	-175,806	-167,174
Calumet Co	92,963	542,466	635,429	68,837	490,846	559,683	24,126	51,620	75,746
Chippewa Co	185,926	1,286,071	1,471,997	187,130	1,406,127	1,593,257	-1,204	-120,056	-121,260
Clark Co	77,469	383,993	461,462	68,837	538,360	607,197	8,632	-154,367	-145,735
Columbia Co	139,445	859,412	998,857	68,837	733,114	801,951	70,608	126,298	196,906
Crawford Co	77,469	274,281	351,750	68,837	220,850	289,687	8,632	53,431	62,063
Dane Co	4,555,194	14,445,443	19,000,637	3,280,284	13,214,797	16,495,081	1,274,910	1,230,646	2,505,556
Dodge Co	294,383	1,834,632	2,129,015	176,123	1,338,154	1,514,277	118,260	496,478	614,738
Door Co	92,963	609,512	702,475	77,069	539,294	616,363	15,894	70,218	86,112
Douglas Co	418,334	2,115,008	2,533,342	319,223	2,506,736	2,825,959	99,112	-391,728	-292,616
Dunn Co	294,383	804,556	1,098,939	220,154	1,212,291	1,432,445	74,230	-407,735	-333,505
Eau Claire Co	247,902	2,919,564	3,167,466	286,199	2,858,022	3,144,221	-38,297	61,542	23,245
Florence Co	77,469	172,531	250,000	68,837	120,850	189,687	8,632	51,681	60,313
Fond du Lac Co	666,236	2,407,574	3,073,810	385,268	2,326,811	2,712,079	280,968	80,763	361,731
Forest Co	77,469	231,615	309,084	68,837	220,850	289,687	8,632	10,765	19,397
Grant Co	77,469	542,466	619,935	68,837	675,123	743,960	8,632	-132,657	-124,025
Green Co	77,469	518,085	595,554	68,837	567,822	636,659	8,632	-49,737	-41,105
Green Lake Co	77,469	359,612	437,081	88,061	432,305	520,366	-10,592	-72,693	-83,285
Iowa Co	77,469	298,661	376,130	68,837	370,850	439,687	8,632	-72,189	-63,557
Iron Co	77,469	172,531	250,000	68,837	120,850	189,687	8,632	51,681	60,313
Jackson Co	77,469	383,993	461,462	68,837	619,610	688,447	8,632	-235,617	-226,985
Jefferson Co	108,457	719,225	827,682	132,092	859,645	991,737	-23,635	-140,420	-164,055
Juneau Co	263,396	743,605	1,007,001	264,184	958,579	1,222,763	-789	-214,974	-215,763
Kenosha Co	3,238,216	8,167,465	11,405,681	1,739,211	7,285,878	9,025,089	1,499,006	881,587	2,380,593
Kewaunee Co	77,469	262,090	339,559	68,837	170,850	239,687	8,632	91,240	99,872
La Crosse Co	340,865	3,108,513	3,449,378	517,360	3,586,058	4,103,418	-176,496	-477,545	-654,041
Lafayette Co	77,469	172,531	250,000	68,837	170,850	239,687	8,632	1,681	10,313
Langlade Co	170,432	713,129	883,561	121,085	732,863	853,948	49,348	-19,734	29,614
Lincoln Co	77,469	609,512	686,981	68,837	538,672	607,509	8,632	70,840	79,472
Manitowoc Co	77,469	682,654	760,123	68,837	746,618	815,455	8,632	-63,964	-55,332
Marathon Co	666,236	3,309,652	3,975,888	594,414	3,036,807	3,631,221	71,822	272,845	344,667
Marquette Co	77,469	524,181	601,650	68,837	735,284	804,121	8,632	-211,103	-202,471
Marquette Co	77,469	347,422	424,891	68,837	320,850	389,687	8,632	26,572	35,204
Menominee Co	139,445	426,659	566,104	154,107	529,064	683,171	-14,663	-102,405	-117,068
Milwaukee - Region 1	9,792,118	23,357,395	33,149,513	9,719,768	25,275,958	34,995,726	72,350	-1,918,563	-1,846,213
Milwaukee - Region 2	12,286,629	23,838,107	36,124,736	9,587,676	26,003,195	35,590,871	2,698,953	-2,165,088	533,865
Milwaukee - Region 3	15,586,820	25,095,385	40,682,205	17,645,286	26,851,303	44,496,589	-2,058,466	-1,755,918	-3,814,384
Milwaukee - Region 4	14,688,176	25,477,661	40,165,837	16,566,535	26,466,487	43,033,022	-1,878,358	-988,826	-2,867,185
Milwaukee - Region 5	12,395,086	26,298,117	38,693,203	13,451,366	26,485,725	39,937,091	-1,056,280	-187,608	-1,243,888
Milwaukee - Region 6	16,036,142	25,428,428	41,464,570	14,838,331	28,022,415	42,860,746	1,197,811	-2,593,987	-1,396,176
Monroe Co	325,371	1,091,027	1,416,398	247,814	1,108,675	1,356,489	77,557	-17,648	59,909
Oconto Co	77,469	682,654	760,123	68,837	622,092	690,929	8,632	60,562	69,194
Oneida Co	77,469	731,415	808,884	132,092	978,109	1,110,201	-54,622	-246,694	-301,316
Oneida Tribe	170,432	585,132	755,564	121,085	391,061	512,146	49,348	194,071	243,419
Outagamie Co	526,791	3,035,372	3,562,163	638,444	2,702,978	3,341,422	-111,653	332,394	220,741
Ozaukee Co	77,469	761,890	839,359	68,837	644,731	713,568	8,632	117,159	125,791
Pepin Co	77,469	172,531	250,000	68,837	170,850	239,687	8,632	1,681	10,313
Pierce Co	77,469	493,705	571,174	77,069	552,939	630,008	400	-59,234	-58,834
Polk Co	108,457	969,125	1,077,582	68,837	707,063	775,900	39,620	262,062	301,682

FINANCIAL DATA

	Proposed Allocations*			Current Contracts			Difference from Current Contract		
	Benefits	Administration/ Services	Total Contracts	Benefits**	Administration/ Services	Total Contracts	Benefits	Administration/ Services	Total Contract
Portage Co	\$77,469	\$1,243,405	\$1,320,874	\$99,069	\$1,181,846	\$1,280,915	-\$21,600	\$61,559	\$39,959
Price Co	77,469	621,703	699,172	68,837	602,865	671,702	8,632	18,838	27,470
Racine Co	1,781,794	6,521,782	8,303,576	1,243,866	5,839,926	7,083,792	537,928	681,856	1,219,784
Richland Co	77,469	408,373	485,842	68,837	320,850	389,687	8,632	87,523	96,155
Rock Co	1,626,855	4,742,006	6,368,861	649,452	3,950,110	4,599,562	977,403	791,896	1,769,299
Rusk Co	77,469	347,422	424,891	68,837	320,850	389,687	8,632	26,572	35,204
Sauk Co	201,420	926,459	1,127,879	132,092	936,553	1,068,645	69,328	-10,094	59,234
Sawyer Co	77,469	786,271	863,740	68,837	681,634	750,471	8,632	104,637	113,269
Shawano Co	232,408	828,937	1,061,345	88,061	969,322	1,057,383	144,347	-140,385	3,962
Sheboygan Co	371,853	1,554,256	1,926,109	143,099	1,390,035	1,533,134	228,753	164,221	392,974
St. Croix Co	123,951	694,844	818,795	77,069	647,524	724,593	46,882	47,320	94,202
Taylor Co	77,469	286,471	363,940	68,837	370,850	439,687	8,632	-84,379	-75,747
Trempealeau Co	77,469	694,844	772,313	88,061	643,803	731,864	-10,592	51,041	40,449
Vernon Co	77,469	347,422	424,891	68,837	458,042	526,879	8,632	-110,620	-101,988
Vilas Co	77,469	213,329	290,798	77,069	311,385	388,454	400	-98,056	-97,656
Walworth Co	418,334	1,255,595	1,673,929	220,154	1,575,298	1,795,452	198,181	-319,703	-121,522
Washburn Co	77,469	335,232	412,701	68,837	420,936	489,773	8,632	-85,704	-77,072
Washington Co	201,420	1,633,493	1,834,913	176,123	1,242,639	1,418,762	25,297	390,854	416,151
Waukesha Co	588,767	3,998,401	4,587,168	385,268	3,109,293	3,494,561	203,499	889,108	1,092,607
Waupaca Co	340,865	871,603	1,212,468	231,161	848,487	1,079,648	109,704	23,116	132,820
Waushara Co	77,469	390,088	467,557	68,837	634,806	703,643	8,632	-244,718	-236,086
Winnebago Co	681,730	3,626,598	4,308,328	451,314	3,198,178	3,649,492	230,415	428,420	658,835
Wood Co	449,322	2,206,435	2,655,757	330,230	2,038,374	2,368,604	119,092	168,061	287,153
<b>Contract Totals</b>	<b>\$104,165,200</b>	<b>\$251,321,600</b>	<b>\$355,486,800</b>	<b>\$98,619,200</b>	<b>\$255,920,573</b>	<b>\$354,539,773</b>	<b>\$5,546,000</b>	<b>-\$4,598,973</b>	<b>\$947,027</b>
<b>Milwaukee</b>	<b>\$80,784,970</b>	<b>\$149,495,093</b>	<b>\$230,280,063</b>	<b>\$81,808,962</b>	<b>\$159,105,083</b>	<b>\$240,914,045</b>	<b>-\$1,023,992</b>	<b>-\$9,609,990</b>	<b>-\$10,633,982</b>
<b>Balance of State</b>	<b>\$23,380,230</b>	<b>\$101,826,507</b>	<b>\$125,206,737</b>	<b>\$16,810,238</b>	<b>\$96,815,490</b>	<b>\$113,625,728</b>	<b>\$6,569,992</b>	<b>\$5,011,017</b>	<b>\$11,581,009</b>

\* Contract amounts under Governor's bill calculated using DWD's methodology

\*\*Contract amount for benefits reduced by 13.03% for each region.

## ATTACHMENT 2

### DWD's Proposed Allocations Compared to Current Contract Amounts

W-2 Geographic Area	Proposed Allocations			Current Contracts			Difference from Current Contract		
	Benefits	Services	Total Contracts	Benefits*	Services	Total Contracts	Benefits	Services	Total Contract
Adams Co	\$77,469	\$369,593	\$447,062	\$68,837	\$420,934	\$489,771	\$8,632	-\$51,341	-\$42,709
Ashland Co	77,469	526,543	604,012	68,837	580,846	649,683	8,632	-54,303	-45,671
Bad River Tribe	92,963	212,642	305,605	99,069	236,089	335,158	-6,106	-23,447	-29,553
Barron Co	77,469	845,507	922,976	68,837	1,170,375	1,239,212	8,632	-324,868	-316,236
Bayfield Co	77,469	212,642	290,111	68,837	320,850	389,687	8,632	-108,208	-99,576
Brown Co	278,889	3,949,072	4,227,961	121,085	3,671,673	3,792,758	157,805	277,399	435,204
Buffalo Co	77,469	217,705	295,174	99,069	286,089	385,158	-21,600	-68,384	-89,984
Burnett Co	77,469	172,531	250,000	68,837	370,850	439,687	8,632	-198,319	-189,687
Calumet Co	92,963	450,599	543,562	68,837	490,846	559,683	24,126	-40,247	-16,121
Chippewa Co	185,926	1,068,275	1,254,201	187,130	1,406,127	1,593,257	-1,204	-337,852	-339,056
Clark Co	77,469	318,964	396,433	68,837	538,360	607,197	8,632	-219,396	-210,764
Columbia Co	139,445	713,871	853,316	68,837	733,114	801,951	70,608	-19,243	51,365
Crawford Co	77,469	227,831	305,300	68,837	220,850	289,687	8,632	6,981	15,613
Dane Co	4,555,194	11,999,104	16,554,298	3,280,284	13,214,797	16,495,081	1,274,910	-1,215,693	59,217
Dodge Co	294,383	1,523,937	1,818,320	176,123	1,338,154	1,514,277	118,260	185,783	304,043
Door Co	92,963	506,291	599,254	77,069	539,294	616,363	15,894	-33,003	-17,109
Douglas Co	418,334	1,756,831	2,175,165	319,223	2,506,736	2,825,959	99,112	-749,905	-650,793
Dunn Co	294,383	668,305	962,688	220,154	1,212,291	1,432,445	74,230	-543,986	-469,756
Eau Claire Co	247,902	2,425,135	2,673,037	286,199	2,858,022	3,144,221	-38,297	-432,887	-471,184
Florence Co	77,469	172,531	250,000	68,837	120,850	189,687	8,632	51,681	60,313
Fond du Lac Co	666,236	1,999,851	2,666,087	385,268	2,326,811	2,712,079	280,968	-326,960	-45,992
Forest Co	77,469	192,391	269,860	68,837	220,850	289,687	8,632	-28,459	-19,827
Grant Co	77,469	450,599	528,068	68,837	675,123	743,960	8,632	-224,524	-215,892
Green Co	77,469	430,348	507,817	68,837	567,822	636,659	8,632	-137,474	-128,842
Green Lake Co	77,469	298,712	376,181	88,061	432,305	520,366	-10,592	-133,593	-144,185
Iowa Co	77,469	248,083	325,552	68,837	370,850	439,687	8,632	-122,767	-114,135
Iron Co	77,469	172,531	250,000	68,837	120,850	189,687	8,632	51,681	60,313
Jackson Co	77,469	318,964	396,433	68,837	619,610	688,447	8,632	-300,646	-292,014
Jefferson Co	108,457	597,424	705,881	132,092	859,645	991,737	-23,635	-262,221	-285,856
Juneau Co	263,396	617,675	881,071	264,184	958,579	1,222,763	-789	-340,904	-341,693
Kenosha Co	3,238,216	6,784,304	10,022,520	1,739,211	7,285,878	9,025,089	1,499,006	-501,574	997,432
Kewaunee Co	77,469	217,705	295,174	68,837	170,850	239,687	8,632	46,855	55,487
La Crosse Co	340,865	2,582,086	2,922,951	517,360	3,586,058	4,103,418	-176,496	-1,003,972	-1,180,468
Lafayette Co	77,469	172,531	250,000	68,837	170,850	239,687	8,632	1,681	10,313
Langlade Co	170,432	592,361	762,793	121,085	732,863	853,948	49,348	-140,502	-91,154
Lincoln Co	77,469	506,291	583,760	68,837	538,672	607,509	8,632	-32,381	-23,749
Manitowoc Co	77,469	567,046	644,515	68,837	746,618	815,455	8,632	-179,572	-170,940
Marathon Co	666,236	2,749,162	3,415,398	594,414	3,036,807	3,631,221	71,822	-287,645	-215,823
Marinette Co	77,469	435,411	512,880	68,837	735,284	804,121	8,632	-299,873	-291,241
Marquette Co	77,469	288,586	366,055	68,837	320,850	389,687	8,632	-32,264	-23,632
Menominee Co	139,445	354,404	493,849	154,107	529,064	683,171	-14,663	-174,660	-189,323
Milwaukee - Region 1	9,792,118	19,712,747	29,504,865	9,719,768	25,275,958	34,995,726	72,350	-5,563,211	-5,490,861
Milwaukee - Region 2	12,286,629	19,900,827	32,187,456	9,587,676	26,003,195	35,590,871	2,698,953	-6,102,368	-3,403,415
Milwaukee - Region 3	15,586,820	20,665,741	36,252,561	17,645,286	26,851,303	44,496,589	-2,058,466	-6,185,562	-8,244,028
Milwaukee - Region 4	14,688,176	21,059,370	35,747,546	16,566,535	26,466,487	43,033,022	-1,878,358	-5,407,117	-7,285,475
Milwaukee - Region 5	12,395,086	21,935,050	34,330,136	13,451,366	26,485,725	39,937,091	-1,056,280	-4,550,675	-5,606,955
Milwaukee - Region 6	16,036,142	20,904,336	36,940,478	14,838,331	28,022,415	42,860,746	1,197,811	-7,118,079	-5,920,268
Monroe Co	325,371	906,261	1,231,632	247,814	1,108,675	1,356,489	77,557	-202,414	-124,857
Oconto Co	77,469	567,046	644,515	68,837	622,092	690,929	8,632	-55,046	-46,414
Oneida Co	77,469	607,550	685,019	132,092	978,109	1,110,201	-54,622	-370,559	-425,181
Oneida Tribe	170,432	486,040	656,472	121,085	391,061	512,146	49,348	94,979	144,327
Outagamie Co	526,791	2,521,331	3,048,122	638,444	2,702,978	3,341,422	-111,653	-181,647	-293,300
Ozaukee Co	77,469	632,864	710,333	68,837	644,731	713,568	8,632	-11,867	-3,235
Pepin Co	77,469	172,531	250,000	68,837	170,850	239,687	8,632	1,681	10,313
Pierce Co	77,469	410,096	487,565	77,069	552,939	630,008	400	-142,843	-142,443
Polk Co	108,457	805,003	913,460	68,837	707,063	775,900	39,620	97,940	137,560

W-2 Geographic Area	Proposed Allocations Administration/			Current Contracts Administration/			Difference from Current Contract Administration/		
	Benefits	Services	Total Contracts	Benefits*	Services	Total Contracts	Benefits	Services	Total Contracts
Portage Co	\$77,469	\$1,032,834	\$1,110,303	\$99,069	\$1,181,846	\$1,280,915	-\$21,600	-\$149,012	-\$170,612
Price Co	77,469	516,417	593,886	68,837	602,865	671,702	8,632	-86,448	-77,816
Racine Co	1,781,794	5,417,317	7,199,111	1,243,866	5,839,926	7,083,792	537,928	-422,609	115,319
Richland Co	77,469	339,215	416,684	68,837	320,850	389,687	8,632	18,365	26,997
Rock Co	1,626,855	3,938,946	5,565,801	649,452	3,950,110	4,599,562	977,403	-11,164	966,239
Rusk Co	77,469	288,586	366,055	68,837	320,850	389,687	8,632	-32,264	-23,632
Sauk Co	201,420	769,563	970,983	132,092	936,553	1,068,645	69,328	-166,990	-97,662
Sawyer Co	77,469	653,116	730,585	68,837	681,634	750,471	8,632	-28,518	-19,886
Shawano Co	232,408	688,556	920,964	88,061	969,322	1,057,383	144,347	-280,766	-136,419
Sheboygan Co	371,853	1,291,043	1,662,896	143,099	1,390,035	1,533,134	228,753	-98,992	129,761
St. Croix Co	123,951	577,172	701,123	77,069	647,524	724,593	46,882	-70,352	-23,470
Taylor Co	77,469	237,957	315,426	68,837	370,850	439,687	8,632	-132,893	-124,261
Trempealeau Co	77,469	577,172	654,641	88,061	643,803	731,864	-10,592	-66,631	-77,223
Vernon Co	77,469	288,586	366,055	68,837	458,042	526,879	8,632	-169,456	-160,824
Vilas Co	77,469	177,202	254,671	77,069	311,385	388,454	400	-134,183	-133,783
Walworth Co	418,334	1,042,960	1,461,294	220,154	1,575,298	1,795,452	198,181	-532,338	-334,157
Washburn Co	77,469	278,460	355,929	68,837	420,936	489,773	8,632	-142,476	-133,844
Washington Co	201,420	1,356,861	1,558,281	176,123	1,242,639	1,418,762	25,297	114,222	139,519
Waukesha Co	588,767	3,321,271	3,910,038	385,268	3,109,293	3,494,561	203,499	211,978	415,477
Waupaca Co	340,865	723,997	1,064,862	231,161	848,487	1,079,648	109,704	-124,490	-14,786
Waushara Co	77,469	324,026	401,495	68,837	634,806	703,643	8,632	-310,780	-302,148
Winnebago Co	681,730	3,012,433	3,694,163	451,314	3,198,178	3,649,492	230,415	-185,745	44,670
Wood Co	449,322	1,832,775	2,282,097	330,230	2,038,374	2,368,604	119,092	-205,599	-86,507
<b>Contract Totals</b>	<b>\$104,165,200</b>	<b>\$208,887,632</b>	<b>\$313,052,832</b>	<b>\$98,619,200</b>	<b>\$255,920,573</b>	<b>\$354,539,773</b>	<b>\$5,546,000</b>	<b>-\$47,032,941</b>	<b>-\$41,486,941</b>
<b>Milwaukee</b>	<b>\$80,784,970</b>	<b>\$124,178,071</b>	<b>\$204,963,041</b>	<b>\$81,808,962</b>	<b>\$159,105,083</b>	<b>\$240,914,045</b>	<b>-\$1,023,992</b>	<b>-\$34,927,012</b>	<b>-\$35,951,004</b>
<b>Balance of State</b>	<b>\$23,380,230</b>	<b>\$84,709,561</b>	<b>\$108,089,791</b>	<b>\$16,810,238</b>	<b>\$96,815,490</b>	<b>\$113,625,728</b>	<b>\$6,569,992</b>	<b>-\$12,105,929</b>	<b>-\$5,535,938</b>

\*Contract amount for benefits reduced by 13.03% for each region.

## ATTACHMENT 3

### Governor's Bill Compared to DWD's Proposed Allocations

W-2 Geographic Area	Proposed Allocations -- Governor *			Proposed Allocations -- DWD			Difference from Governor		
	Benefits	Services	Total Contracts	Benefits	Services	Total Contracts	Benefits	Services	Total Contract
Adams Co	\$77,469	\$444,944	\$522,413	\$77,469	\$369,593	\$447,062	\$0	-\$75,351	-\$75,351
Ashland Co	77,469	633,893	711,362	77,469	526,543	604,012	0	-107,350	-107,350
Bad River Tribe	92,963	255,995	348,958	92,963	212,642	305,605	0	-43,353	-43,353
Barron Co	77,469	1,017,886	1,095,355	77,469	845,507	922,976	0	-172,379	-172,379
Bayfield Co	77,469	255,995	333,464	77,469	212,642	290,111	0	-43,353	-43,353
Brown Co	278,889	4,754,196	5,033,085	278,889	3,949,072	4,227,961	0	-805,124	-805,124
Buffalo Co	77,469	262,090	339,559	77,469	217,705	295,174	0	-44,385	-44,385
Burnett Co	77,469	195,044	272,513	77,469	172,531	250,000	0	-22,513	-22,513
Calumet Co	92,963	542,466	635,429	92,963	450,599	543,562	0	-91,867	-91,867
Chippewa Co	185,926	1,286,071	1,471,997	185,926	1,068,275	1,254,201	0	-217,796	-217,796
Clark Co	77,469	383,993	461,462	77,469	318,964	396,433	0	-65,029	-65,029
Columbia Co	139,445	859,412	998,857	139,445	713,871	853,316	0	-145,541	-145,541
Crawford Co	77,469	274,281	351,750	77,469	227,831	305,300	0	-46,450	-46,450
Dane Co	4,555,194	14,445,443	19,000,637	4,555,194	11,999,104	16,554,298	0	-2,446,339	-2,446,339
Dodge Co	294,383	1,834,632	2,129,015	294,383	1,523,937	1,818,320	0	-310,695	-310,695
Door Co	92,963	609,512	702,475	92,963	506,291	599,254	0	-103,221	-103,221
Douglas Co	418,334	2,115,008	2,533,342	418,334	1,756,831	2,175,165	0	-358,177	-358,177
Dunn Co	294,383	804,556	1,098,939	294,383	668,305	962,688	0	-136,251	-136,251
Eau Claire Co	247,902	2,919,564	3,167,466	247,902	2,425,135	2,673,037	0	-494,429	-494,429
Florence Co	77,469	172,531	250,000	77,469	172,531	250,000	0	0	0
Fond du Lac Co	666,236	2,407,574	3,073,810	666,236	1,999,851	2,666,087	0	-407,723	-407,723
Forest Co	77,469	231,615	309,084	77,469	192,391	269,860	0	-39,224	-39,224
Grant Co	77,469	542,466	619,935	77,469	450,599	528,068	0	-91,867	-91,867
Green Co	77,469	518,085	595,554	77,469	430,348	507,817	0	-87,737	-87,737
Green Lake Co	77,469	359,612	437,081	77,469	298,712	376,181	0	-60,900	-60,900
Iowa Co	77,469	298,661	376,130	77,469	248,083	325,552	0	-50,578	-50,578
Iron Co	77,469	172,531	250,000	77,469	172,531	250,000	0	0	0
Jackson Co	77,469	383,993	461,462	77,469	318,964	396,433	0	-65,029	-65,029
Jefferson Co	108,457	719,225	827,682	108,457	597,424	705,881	0	-121,801	-121,801
Juneau Co	263,396	743,605	1,007,001	263,396	617,675	881,071	0	-125,930	-125,930
Kenosha Co	3,238,216	8,167,465	11,405,681	3,238,216	6,784,304	10,022,520	0	-1,383,161	-1,383,161
Kewaunee Co	77,469	262,090	339,559	77,469	217,705	295,174	0	-44,385	-44,385
La Crosse Co	340,865	3,108,513	3,449,378	340,865	2,582,086	2,922,951	0	-526,427	-526,427
Lafayette Co	77,469	172,531	250,000	77,469	172,531	250,000	0	0	0
Langlade Co	170,432	713,129	883,561	170,432	592,361	762,793	0	-120,768	-120,768
Lincoln Co	77,469	609,512	686,981	77,469	506,291	583,760	0	-103,221	-103,221
Manitowoc Co	77,469	682,654	760,123	77,469	567,046	644,515	0	-115,608	-115,608
Marathon Co	666,236	3,309,652	3,975,888	666,236	2,749,162	3,415,398	0	-560,490	-560,490
Marquette Co	77,469	524,181	601,650	77,469	435,411	512,880	0	-88,770	-88,770
Marquette Co	77,469	347,422	424,891	77,469	288,586	366,055	0	-58,836	-58,836
Menominee Co	139,445	426,659	566,104	139,445	354,404	493,849	0	-72,255	-72,255
Milwaukee - Region 1	9,792,118	23,357,395	33,149,513	9,792,118	19,712,747	29,504,865	0	-3,644,648	-3,644,648
Milwaukee - Region 2	12,286,629	23,838,107	36,124,736	12,286,629	19,900,827	32,187,456	0	-3,937,280	-3,937,280
Milwaukee - Region 3	15,586,820	25,095,385	40,682,205	15,586,820	20,665,741	36,252,561	0	-4,429,644	-4,429,644
Milwaukee - Region 4	14,688,176	25,477,661	40,165,837	14,688,176	21,059,370	35,747,546	0	-4,418,291	-4,418,291
Milwaukee - Region 5	12,395,086	26,298,117	38,693,203	12,395,086	21,935,050	34,330,136	0	-4,363,067	-4,363,067
Milwaukee - Region 6	16,036,142	25,428,428	41,464,570	16,036,142	20,904,336	36,940,478	0	-4,524,092	-4,524,092
Monroe Co	325,371	1,091,027	1,416,398	325,371	906,261	1,231,632	0	-184,766	-184,766
Oconto Co	77,469	682,654	760,123	77,469	567,046	644,515	0	-115,608	-115,608
Oneida Co	77,469	731,415	808,884	77,469	607,550	685,019	0	-123,865	-123,865
Oneida Tribe	170,432	585,132	755,564	170,432	486,040	656,472	0	-99,092	-99,092
Outagamie Co	526,791	3,035,372	3,562,163	526,791	2,521,331	3,048,122	0	-514,041	-514,041
Ozaukee Co	77,469	761,890	839,359	77,469	632,864	710,333	0	-129,026	-129,026
Pepin Co	77,469	172,531	250,000	77,469	172,531	250,000	0	0	0

W-2 Geographic Area	Proposed Allocations -- Governor* Administration/			Proposed Allocations -- DWD Administration/			Difference from Governor Administration/		
	Benefits	Services	Total Contracts	Benefits	Services	Total Contracts	Benefits	Services	Total Contract
Pierce Co	\$77,469	\$493,705	\$571,174	\$77,469	\$410,096	\$487,565	\$0	-\$83,609	-\$83,609
Polk Co	108,457	969,125	1,077,582	108,457	805,003	913,460	0	-164,122	-164,122
Portage Co	77,469	1,243,405	1,320,874	77,469	1,032,834	1,110,303	0	-210,571	-210,571
Price Co	77,469	621,703	699,172	77,469	516,417	593,886	0	-105,286	-105,286
Racine Co	1,781,794	6,521,782	8,303,576	1,781,794	5,417,317	7,199,111	0	-1,104,465	-1,104,465
Richland Co	77,469	408,373	485,842	77,469	339,215	416,684	0	-69,158	-69,158
Rock Co	1,626,855	4,742,006	6,368,861	1,626,855	3,938,946	5,565,801	0	-803,060	-803,060
Rusk Co	77,469	347,422	424,891	77,469	288,586	366,055	0	-58,836	-58,836
Sauk Co	201,420	926,459	1,127,879	201,420	769,563	970,983	0	-156,896	-156,896
Sawyer Co	77,469	786,271	863,740	77,469	653,116	730,585	0	-133,155	-133,155
Shawano Co	232,408	828,937	1,061,345	232,408	688,556	920,964	0	-140,381	-140,381
Sheboygan Co	371,853	1,554,256	1,926,109	371,853	1,291,043	1,662,896	0	-263,213	-263,213
St. Croix Co	123,951	694,844	818,795	123,951	577,172	701,123	0	-117,672	-117,672
Taylor Co	77,469	286,471	363,940	77,469	237,957	315,426	0	-48,514	-48,514
Trempealeau Co	77,469	694,844	772,313	77,469	577,172	654,641	0	-117,672	-117,672
Vernon Co	77,469	347,422	424,891	77,469	288,586	366,055	0	-58,836	-58,836
Vilas Co	77,469	213,329	290,798	77,469	177,202	254,671	0	-36,127	-36,127
Walworth Co	418,334	1,255,595	1,673,929	418,334	1,042,960	1,461,294	0	-212,635	-212,635
Washburn Co	77,469	335,232	412,701	77,469	278,460	355,929	0	-56,772	-56,772
Washington Co	201,420	1,633,493	1,834,913	201,420	1,356,861	1,558,281	0	-276,632	-276,632
Waukesha Co	588,767	3,998,401	4,587,168	588,767	3,321,271	3,910,038	0	-677,130	-677,130
Waupaca Co	340,865	871,603	1,212,468	340,865	723,997	1,064,862	0	-147,606	-147,606
Waushara Co	77,469	390,088	467,557	77,469	324,026	401,495	0	-66,062	-66,062
Winnebago Co	681,730	3,626,598	4,308,328	681,730	3,012,433	3,694,163	0	-614,165	-614,165
Wood Co	<u>449,322</u>	<u>2,206,435</u>	<u>2,655,757</u>	<u>449,322</u>	<u>1,832,775</u>	<u>2,282,097</u>	0	<u>-373,660</u>	<u>-373,660</u>
Contract Totals	\$104,165,200	\$251,321,600	\$355,486,800	\$104,165,200	\$208,887,632	\$313,052,832	\$0	-\$42,433,968	-\$42,433,968
Milwaukee	\$80,784,970	149,495,093	230,280,063	\$80,784,970	\$124,178,071	\$204,963,041	\$0	-\$25,317,022	-\$25,317,022
Balance of State	\$23,380,230	\$101,826,507	\$125,206,737	\$23,380,230	\$84,709,561	\$108,089,791	\$0	-\$17,116,946	-\$17,116,946

\*Contract amounts under Governor's bill calculated using DWD's methodology.



## ATTACHMENT 4

### Alternative to Increase Benefits Allocation

<u>W-2 Geographic Area</u>	<u>Governor's Budget Allocation</u>	<u>2% Caseload Growth</u>		<u>5% Caseload Growth</u>	
		<u>New Allocation</u>	<u>Difference from Governor</u>	<u>New Allocation</u>	<u>Difference from Governor</u>
Adams Co	\$77,469	\$80,733	\$3,264	\$83,108	\$5,638
Ashland Co	77,469	80,733	3,264	83,108	5,638
Bad River Tribe	92,963	96,880	3,916	99,729	6,766
Barron Co	77,469	80,733	3,264	83,108	5,638
Bayfield Co	77,469	80,733	3,264	83,108	5,638
Brown Co	278,889	290,639	11,749	299,187	20,298
Buffalo Co	77,469	80,733	3,264	83,108	5,638
Burnett Co	77,469	80,733	3,264	83,108	5,638
Calumet Co	92,963	96,880	3,916	99,729	6,766
Chippewa Co	185,926	193,759	7,833	199,458	13,532
Clark Co	77,469	80,733	3,264	83,108	5,638
Columbia Co	139,445	145,319	5,875	149,594	10,149
Crawford Co	77,469	80,733	3,264	83,108	5,638
Dane Co	4,555,194	4,747,100	191,906	4,886,721	331,527
Dodge Co	294,383	306,785	12,402	315,809	21,425
Door Co	92,963	96,880	3,916	99,729	6,766
Douglas Co	418,334	435,958	17,624	448,781	30,446
Dunn Co	294,383	306,785	12,402	315,809	21,425
Eau Claire Co	247,902	258,346	10,444	265,944	18,042
Florence Co	77,469	80,733	3,264	83,108	5,638
Fond du Lac Co	666,236	694,304	28,068	714,725	48,489
Forest Co	77,469	80,733	3,264	83,108	5,638
Grant Co	77,469	80,733	3,264	83,108	5,638
Green Co	77,469	80,733	3,264	83,108	5,638
Green Lake Co	77,469	80,733	3,264	83,108	5,638
Iowa Co	77,469	80,733	3,264	83,108	5,638
Iron Co	77,469	80,733	3,264	83,108	5,638
Jackson Co	77,469	80,733	3,264	83,108	5,638
Jefferson Co	108,457	113,026	4,569	116,351	7,894
Juneau Co	263,396	274,492	11,097	282,566	19,170
Kenosha Co	3,238,216	3,374,639	136,423	3,473,894	235,677
Kewaunee Co	77,469	80,733	3,264	83,108	5,638
La Crosse Co	340,865	355,225	14,360	365,673	24,808
Lafayette Co	77,469	80,733	3,264	83,108	5,638
Langlade Co	170,432	177,613	7,180	182,837	12,404
Lincoln Co	77,469	80,733	3,264	83,108	5,638
Manitowoc Co	77,469	80,733	3,264	83,108	5,638
Marathon Co	666,236	694,304	28,068	714,725	48,489
Marinette Co	77,469	80,733	3,264	83,108	5,638
Marquette Co	77,469	80,733	3,264	83,108	5,638
Menominee Co	139,445	145,319	5,875	149,594	10,149
Milwaukee - Region 1	9,792,118	10,204,651	412,534	10,504,788	712,670
Milwaukee - Region 2	12,286,629	12,804,254	517,625	13,180,850	894,221
Milwaukee - Region 3	15,586,820	16,243,480	656,660	16,721,229	1,134,409

W-2 Geographic Area	Governor's Budget Allocation	2% Caseload Growth		5% Caseload Growth	
		New Allocation	Difference from Governor	New Allocation	Difference from Governor
Milwaukee - Region 4	\$14,688,176	\$15,306,977	\$618,800	\$15,757,182	\$1,069,006
Milwaukee - Region 5	12,395,086	12,917,280	522,194	13,297,200	902,114
Milwaukee - Region 6	16,036,142	16,711,731	675,589	17,203,253	1,167,111
Monroe Co	325,371	339,079	13,708	349,052	23,681
Oconto Co	77,469	80,733	3,264	83,108	5,638
Oneida Co	77,469	80,733	3,264	83,108	5,638
Oneida Tribe	170,432	177,613	7,180	182,837	12,404
Outagamie Co	526,791	548,984	22,193	565,131	38,340
Ozaukee Co	77,469	80,733	3,264	83,108	5,638
Pepin Co	77,469	80,733	3,264	83,108	5,638
Pierce Co	77,469	80,733	3,264	83,108	5,638
Polk Co	108,457	113,026	4,569	116,351	7,894
Portage Co	77,469	80,733	3,264	83,108	5,638
Price Co	77,469	80,733	3,264	83,108	5,638
Racine Co	1,781,794	1,856,859	75,065	1,911,473	129,679
Richland Co	77,469	80,733	3,264	83,108	5,638
Rock Co	1,626,855	1,695,393	68,538	1,745,258	118,403
Rusk Co	77,469	80,733	3,264	83,108	5,638
Sauk Co	201,420	209,906	8,486	216,080	14,659
Sawyer Co	77,469	80,733	3,264	83,108	5,638
Shawano Co	232,408	242,199	9,791	249,323	16,915
Sheboygan Co	371,853	387,518	15,666	398,916	27,063
St. Croix Co	123,951	129,173	5,222	132,972	9,021
Taylor Co	77,469	80,733	3,264	83,108	5,638
Trempealeau Co	77,469	80,733	3,264	83,108	5,638
Vernon Co	77,469	80,733	3,264	83,108	5,638
Vilas Co	77,469	80,733	3,264	83,108	5,638
Walworth Co	418,334	435,958	17,624	448,781	30,446
Washburn Co	77,469	80,733	3,264	83,108	5,638
Washington Co	201,420	209,906	8,486	216,080	14,659
Waukesha Co	588,767	613,571	24,804	631,617	42,850
Waupaca Co	340,865	355,225	14,360	365,673	24,808
Waushara Co	77,469	80,733	3,264	83,108	5,638
Winnebago Co	681,730	710,450	28,721	731,346	49,616
Wood Co	449,322	468,251	18,930	482,024	32,702
Contract Totals	\$104,165,200	\$108,553,592	\$4,388,392	\$111,746,345	\$7,581,145
Milwaukee	\$80,784,970	\$84,188,372	\$3,403,402	\$86,664,501	\$5,879,531
Balance of State	\$23,380,230	\$24,365,219	\$984,989	\$25,081,844	\$1,701,613

## ATTACHMENT 5

### Options to Reduce Administration and Services Allocations

<u>W-2 Geographic Region</u>	<u>Transfer MA and Food Stamps</u>		<u>MA &amp; Food Stamps Retained in W-2 Contracts</u>	
	<u>Allocation After</u>	<u>Allocation After</u>	<u>Allocation After</u>	<u>Allocation After</u>
	<u>2% Reduction</u>	<u>5% Reduction</u>	<u>2% Reduction</u>	<u>5% Reduction</u>
Adams Co	\$362,201	\$351,113	\$437,527	\$426,402
Ashland Co	516,012	500,216	623,327	607,477
Bad River Tribe	208,389	202,010	251,728	245,327
Barron Co	828,597	803,232	1,000,919	975,468
Bayfield Co	208,389	202,010	251,728	245,327
Brown Co	3,870,091	3,751,618	4,674,949	4,556,078
Buffalo Co	213,351	206,820	257,722	251,168
Burnett Co	169,080	163,904	191,793	186,916
Calumet Co	441,587	428,069	533,424	519,860
Chippewa Co	1,046,910	1,014,861	1,264,634	1,232,478
Clark Co	312,585	303,016	377,592	367,991
Columbia Co	699,594	678,177	845,087	823,599
Crawford Co	223,274	216,439	269,709	262,851
Dane Co	11,759,122	11,399,149	14,204,652	13,843,468
Dodge Co	1,493,458	1,447,740	1,804,051	1,758,179
Door Co	496,165	480,976	599,352	584,113
Douglas Co	1,721,694	1,668,989	2,079,753	2,026,871
Dunn Co	654,939	634,890	791,145	771,029
Eau Claire Co	2,376,632	2,303,878	2,870,898	2,797,899
Florence Co	169,080	163,904	172,531	172,530
Fond du Lac Co	1,959,854	1,899,858	2,367,442	2,307,245
Forest Co	188,543	182,771	227,754	221,963
Grant Co	441,587	428,069	533,424	519,860
Green Co	421,741	408,830	509,450	496,496
Green Lake Co	292,738	283,776	353,618	344,626
Iowa Co	243,121	235,679	293,683	286,215
Iron Co	169,080	163,904	172,531	172,531
Jackson Co	312,585	303,016	377,592	367,991
Jefferson Co	585,476	567,553	707,236	689,253
Juneau Co	605,322	586,791	731,210	712,617
Kenosha Co	6,648,618	6,445,089	8,031,323	7,827,109
Kewaunee Co	213,351	206,820	257,722	251,168
La Crosse Co	2,530,444	2,452,982	3,056,697	2,978,974
Lafayette Co	169,080	163,904	172,531	172,531
Langlade Co	580,514	562,743	701,242	683,412
Lincoln Co	496,165	480,976	599,352	584,113
Manitowoc Co	555,705	538,694	671,275	654,206
Marathon Co	2,694,179	2,611,704	3,254,484	3,171,731
Marinette Co	426,703	413,640	515,443	502,337
Marquette Co	282,814	274,157	341,631	332,944
Menominee Co	347,316	336,684	419,547	408,879
Milwaukee - Region 1	19,318,492	18,727,110	22,998,657	22,460,550

W-2 Geographic Region	Transfer MA and Food Stamps		MA & Food Stamps Retained in W-2 Contracts	
	Allocation After	Allocation After	Allocation After	Allocation After
	2% Reduction	5% Reduction	2% Reduction	5% Reduction
Milwaukee - Region 2	\$19,502,810	\$18,905,786	\$23,450,565	\$22,869,254
Milwaukee - Region 3	20,252,426	19,632,454	24,659,381	24,005,376
Milwaukee - Region 4	20,638,183	20,006,402	25,042,774	24,390,445
Milwaukee - Region 5	21,496,349	20,838,298	25,868,666	25,224,490
Milwaukee - Region 6	20,486,249	19,859,119	24,983,127	24,315,178
Monroe Co	888,136	860,948	1,072,841	1,045,562
Oconto Co	555,705	538,694	671,275	654,206
Oneida Co	595,399	577,173	719,223	700,935
Oneida Tribe	476,319	461,738	575,378	560,748
Outagamie Co	2,470,904	2,395,264	2,984,775	2,908,881
Ozaukee Co	620,207	601,221	749,191	730,141
Pepin Co	169,080	163,904	172,531	172,531
Pierce Co	401,894	389,591	485,475	473,131
Polk Co	788,903	764,753	952,970	928,739
Portage Co	1,012,177	981,192	1,222,679	1,191,590
Price Co	506,089	490,596	611,339	595,795
Racine Co	5,308,971	5,146,451	6,413,071	6,250,005
Richland Co	332,431	322,254	401,566	391,355
Rock Co	3,860,167	3,741,999	4,662,962	4,544,396
Rusk Co	282,814	274,157	341,631	332,944
Sauk Co	754,172	731,085	911,016	887,851
Sawyer Co	640,054	620,460	773,165	753,505
Shawano Co	674,785	654,128	815,119	794,393
Sheboygan Co	1,265,222	1,226,491	1,528,349	1,489,487
St. Croix Co	565,629	548,313	683,262	665,888
Taylor Co	233,198	226,059	281,696	274,533
Trempealeau Co	565,629	548,313	683,262	665,888
Vernon Co	282,814	274,157	341,631	332,944
Vilas Co	173,658	168,342	209,773	204,439
Walworth Co	1,022,101	990,812	1,234,666	1,203,272
Washburn Co	272,891	264,537	329,644	321,262
Washington Co	1,329,724	1,289,018	1,606,265	1,565,422
Waukesha Co	3,254,846	3,155,207	3,931,752	3,831,779
Waupaca Co	709,517	687,797	857,074	835,281
Waushara Co	317,545	307,825	383,586	373,832
Winnebago Co	2,952,184	2,861,811	3,566,147	3,475,470
Wood Co	<u>1,796,120</u>	<u>1,741,136</u>	<u>2,169,656</u>	<u>2,114,488</u>
Contract Totals	\$204,709,879	\$198,443,250	\$247,143,847	\$240,877,218
Milwaukee	\$121,694,510	\$117,969,167	\$147,003,169	\$143,265,293
Balance of State	\$83,015,369	\$80,474,083	\$100,140,678	\$97,611,925



## Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1043

### *Temporary Assistance for Needy Families (TANF)*

### **W-2 Contract Policy Issues (DWD -- Economic Support and Child Care)**

#### **CURRENT LAW**

##### **Performance Standards in the Current W-2 Agency Contracts**

Under current law, Wisconsin Works (W-2) agencies must meet performance standards established by the Department of Workforce Development (DWD). If agencies do not meet the standards, DWD may withhold or recover any or all payment from the W-2 agency.

Under the current W-2 contracts, which run from January 1, 2000, through December 31, 2001, agencies must meet all base contract benchmarks to be eligible for community reinvestment funds. Community reinvestment funds equal 3% of each agency's contract amount.

For agencies that meet all of the base contract benchmarks, unrestricted performance bonuses (profit) can be earned for meeting benchmarks in the following areas: (a) placement of W-2 participants into unsubsidized employment; (b) wage rate in unsubsidized employment; (c) job retention rate for participants in unsubsidized employment; (d) number of participants engaged in appropriate activities for the required number of hours; (e) number of participants in basic educational activities who do not have a high school diploma or its equivalent; and (f) number of participants in unsubsidized employment where employer health insurance is available. There are two tiers for the unrestricted performance bonuses. If an agency meets the standards in the first tier, it is eligible to receive a bonus equal to 2% of its contract amount. Agencies that meet the first and second tiers are eligible for an additional 2% profit for a total of 4% profit. If an agency does not meet a specific benchmark, a one-case credit is provided in certain instances. This allows DWD to treat one of the agency's cases as if it did meet the benchmark.

There are also two optional performance standards that can be used in place of one of the other criteria to meet the second tier standards for unrestricted bonuses: (a) having one or more faith-based contracts; and (b) having 50% of participants assigned to basic skills or job skills training complete the required training successfully.

### **Performance Standards for the Next W-2 Agency Contracts**

For contracts beginning January 1, 2002, a statutory provision will go into effect stating that DWD must base any performance bonus calculation for W-2 agencies on all of the following performance criteria: (a) the placement of participants in W-2 employment positions into unsubsidized employment; (b) whether the placement is full-time or part-time; (c) the job retention rate of former participants in W-2 employment positions, as defined by DWD; (e) appropriate implementation of W-2; and (f) customer satisfaction. In addition, DWD will not be allowed to base any performance payments on caseload decreases or reduced spending by W-2 agencies that are not directly attributable to placement of participants in unsubsidized employment.

### **Right of First Selection**

The statutes require DWD to utilize a right of first selection process to select agencies to administer W-2. The statutes require DWD to contract with a W-2 agency if the agency has met the performance standards established by the Department during the immediately preceding contract period. The term of the subsequent contract must be for at least two years.

In addition, the current W-2 contracts state that a right of first selection process will be used for the next W-2 contracts. In order to meet the right of first selection criteria, an agency must meet the following base performance standards: (a) 35% or more of participants have entered unsubsidized employment; (b) the wage rate for participants in unsubsidized employment is at the base wage rate set by DWD for that county; (c) the job retention rate is 75% for participants in unsubsidized employment after 30 days and 50% after 180 days; (d) 80% of W-2 and food stamp employment and training (FSET) program participants are engaged in appropriate activities for the required number of hours; (e) 80% or more of W-2 and FSET participants without a high school diploma or equivalent are engaged in educational activities; and (f) 30% or more of participants who entered unsubsidized employment are receiving employer health insurance.

### **Geographic Regions**

DWD is authorized to determine the geographical area that each W-2 agency will cover. No area can be smaller than one county, except for American Indian reservations and Milwaukee County. An area may include more than one county. Milwaukee County is currently divided into six regions.

## **GOVERNOR**

No provisions.

## **DISCUSSION POINTS**

### **W-2 Contracting Process**

1. DWD has begun the process for selecting agencies for the 2002-2003 W-2 contracts. DWD is conducting a two-phase process. The first phase is for agencies that met the criteria for right of first selection and the second phase is a competitive process for geographic regions where contracts were not awarded through the right of first selection process.

2. DWD notified W-2 agencies on February 16, 2001, regarding whether or not they met the performance standards necessary to gain right of first selection for the next W-2 contracts. Three agencies did not meet the initial criteria: Bayfield County, Bad River Tribe and Menominee County. All three agencies appealed and the Bad River Tribe's appeal was successful. In order for a right of first selection agency to be awarded the next contract, it must submit a plan to DWD for approval. On April 23, 2001, DWD released a final document asking right of first selection agencies to submit plans for the next W-2 contracts. Agency responses are due by June 4, 2001. Right of first selection agencies will be notified whether their plan was accepted by July 6, 2001.

3. A request for proposals is anticipated to be released on June 25, 2001, and proposals will be due on August 6, 2001. This process is for geographic regions in which the current W-2 agency did not win right of first selection, or chose not to submit a plan under the right of first selection.

4. DWD's draft contract terms would substantially change the performance standards adopted in the current W-2 contracts, and have implications for future contracts through the proposed right of first selection process for the 2003-2004 contracts. In addition, DWD proposes several new initiatives to increase accountability of W-2 agencies. These issues are discussed in this paper. Alternative numbers are provided in the text for reference purposes. Funding allocations for each element of the W-2 contract are discussed in Paper #1042.

### **Performance Standards**

5. In DWD's right of first selection document, the Department proposes major modifications to the performance standards. These standards are proposed to be used for four key purposes: (a) set a minimum performance level necessary to be in compliance with the contract; (b) set a performance benchmark necessary to obtain right of first selection for the 2004-2005 W-2 contracts; (c) set a performance benchmark necessary to receive restricted community reinvestment funds; and (d) set a performance benchmark necessary to receive unrestricted performance bonus funds.

6. For the 2000-2001 W-2 contracts, agencies were only required to meet base contract requirements to receive community reinvestment funds. In addition, the current W-2 contracts have two tiers of criteria for earning performance bonuses. Under DWD's proposed performance standards, there would only be one tier of criteria for unrestricted performance bonuses.

7. DWD also recommends continuation of the one-case credit for performance standards, in recognition that one-case can make a significant difference in the calculation of the performance standards, especially for small agencies. This credit allows DWD to treat one-case that does not meet a particular performance benchmark as having met that benchmark. This credit would apply when: (a) the Department makes the final determination of whether a W-2 agency meets a benchmark level for a performance standard criterion; (b) the W-2 agency does not meet the benchmark for one of the following criteria: entered employment placement rate, job retention rates, full and appropriate engagement, basic education activity, earnings gain and/or educational activities attainment; (c) at least one of the agency's cases for the benchmarks listed in (b) does not meet the benchmarks for the criteria in (b); and (d) the W-2 agency would meet a benchmark for one of these criteria if a one-case credit were applied. The one-case credit would apply only once per agency per criterion listed in (b). The application of the one-case credit could result in the W-2 agency meeting the base contract benchmark or the next benchmark beyond what the W-2 agency would otherwise meet.

8. It could be argued that agencies should only receive a one-case credit in order to meet the base contract benchmark and that the number of cases meeting a specific performance standard should not be artificially inflated to enable them to receive community reinvestment or performance bonus funds. A total of eight agencies would not have met the right of first selection criteria for the 2002-2003 W-2 contracts without the one-case credit: Chippewa, Crawford, Pepin, Ozaukee, Sawyer, Waupaca, Wood, and Oneida Tribe. (Alternative 1)

9. DWD also proposes to institute a new zero-case credit, which would enable agencies to meet the base contract and right of first selection benchmark in situations where they have no cases for a performance standard. For example, if an agency does not have any cases where participants are engaged in education activities, a zero-case credit would allow the agency to meet the base contract and right of first selection benchmark for that standard. The zero-case credit would not enable agencies to receive community reinvestment funds or performance bonuses. This credit was established to avoid penalizing small agencies that do not have any cases for a particular performance standard. It could be eliminated if the Committee would not like to reward agencies without any cases for a particular performance standard. (Alternative 2)

10. According to DWD's draft contract terms, agencies would be required to meet the base contract benchmark for all performance standards in order to be eligible to receive performance bonuses. Agencies could then receive bonuses for meeting individual benchmarks. DWD states that the bonuses would be divided equally between community reinvestment and unrestricted performance bonuses. The allocation breakdowns for community reinvestment and performance bonuses are discussed in Paper #1042. For the community reinvestment bonus, 65% would be allocated for the priority participant outcomes standards (employment placement, earnings



gain, job retention, full and appropriate engagement, education activities and education attainment) and 35% for the high quality and effective case management services performance standards (caseload ratio, staff training and appropriate tier placement). For the unrestricted bonuses, 60% of funding would be allocated for the priority participant outcomes standards; 30% for the high quality and effective case management services performance standards; and 10% for the customer satisfaction standard.

11. A comparative chart showing the current performance standards versus the proposed performance standards is presented in Attachment 1. In addition, a chart showing W-2 agency performance for calendar year 2000 under the current standards is presented in Attachment 2. Attachment 3 shows the proposed allocations for community reinvestment and unrestricted bonuses and presents an example of the amount a W-2 agency could potentially receive. An analysis of each proposed performance standard for the 2002-2003 contracts is presented below.

*a. Entered Employment Placement Rate*

12. The entered employment placement rate standard measures the number of W-2 and FSET program participants who enter unsubsidized employment. This standard would be modified from the current contracts to measure full-time versus part-time employment as required in a statutory provision that goes into effect on January 1, 2002. The base contract and right of first selection benchmark would be 35% for full- and part-time jobs, the community reinvestment benchmark would be 35% for full-time jobs only and the unrestricted bonus benchmark would be 40% for full-time jobs only. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 51%. Because DWD has proposed that this benchmark be changed, only the base contract benchmark is directly comparable to the revised performance standard.

13. It could be argued that the base contract benchmark for this standard should be increased because most agencies are exceeding it and agencies should only be awarded for above-average performance. Based on average performance in calendar year 2000, this benchmark could be increased to 50%. This benchmark could also be increased to a higher amount if the Committee would like to hold W-2 agencies to a higher standard. (Alternative 3a)

14. DWD based the community reinvestment and unrestricted bonus benchmark levels on performance data from calendar year 2000. During that time, 35.4% of participants served entered full-time employment. To hold the W-2 agencies to a higher standard, the Committee could increase these benchmark levels to 40% and 45%, respectively. (Alternative 3b)

15. DWD defines full-time work as 30 or more hours per week. Part-time work is defined as less than 30 hours per week. Concerns have been raised that this standard would not reward agencies that help participants gain two part-time jobs equal to 30 or more hours per week. The existing statutory language could be interpreted to permit DWD to allow two part-time jobs to be considered full-time employment. However, for clarification purposes, the statutory provision could be modified to define full-time employment for the purposes of performance bonuses as working in one or more jobs for a total of 30 hours or more per week. (Alternative 4)

*b. Earnings Gain*

16. The earnings gain standard measures the percentage of W-2 participants with earning gains. The benchmark would measure earning gains only for participants assigned to unsubsidized employment and case management follow-up from the start to end of their participation. The base contract and right of first selection benchmark would be 50% with any earnings gain, the community reinvestment benchmark would be 50% with an average monthly gain of \$50 and the unrestricted bonus benchmark would be 50% with an average monthly gain of \$100. If a participant works 40 hours per week, a \$50 monthly gain would require a wage increase of \$0.29 per hour. A \$100 monthly gain would require a wage increase of \$0.58 per hour.

17. In its draft right of first selection document, DWD initially recommended that the community reinvestment benchmark be 50% with an average monthly gain of \$100 and that the unrestricted bonus benchmark be 50% with an average monthly gain of \$200. If a participant works 40 hours per week, a \$200 monthly gain would require a wage increase of \$1.16 per hour. DWD reduced these requirements based on comments received by W-2 agencies that the goals were unrealistic. If the Committee would like to hold W-2 agencies to a higher standard, it could impose the more aggressive benchmarks originally proposed by the Department. (Alternative 3c)

18. The proposed earnings gain standard would only measure the earnings gain of W-2 participants. DWD states that FSET participants were excluded due to their quick entry and exit patterns. According to data from DWD for the period of January, 2000, through March, 2001, the average length of participation for FSET participants statewide was 3.1 months. In addition, 73.1% of FSET participants are in the program for three months or less and 83.0% of participants are in the program for four months or less. However, the Committee could choose to add the FSET population to the earnings gain standard because FSET is an integral component of the W-2 contract. (Alternative 3d)

19. The earnings gain standard is proposed to replace the wage rate standard included in the current W-2 contracts. Under the proposed contract terms, the wage rate standard would become an informational standard and would not be used to calculate bonuses. Under the 2000-2001 W-2 contract, the wage rate standard compared the wage rate for W-2 and FSET participants at the time of job placement to the average wage rate attained in each region in 1998. The first tier bonus benchmark was 102.5% of the base wage rate and the second tier bonus benchmark was 105% of the base wage rate. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 117%.

20. Concerns have been raised that it is still important to measure earnings at the time of placement because W-2 agencies should be encouraged to place participants in the highest wage rate possible so that they can move out of poverty as quickly as possible. Accordingly, the wage rate standard could be reinstated as a mandatory standard. To make the standard more meaningful, the base wage rates for each W-2 region could be increased to reflect average wages earned by participants in the first six months of 2001. (Alternative 3e)

**c. Job Retention Rate**

21. The job retention rate performance standard measures the percentage of W-2 and FSET participants that remain employed after a 30-day and 180-day contact. This standard would be modified to require agencies to meet both standards to receive performance bonuses. Under the current contracts, agencies can still receive bonuses if only one of these criteria is met. For 30-day follow-up, the base contract and right of first selection benchmark would be 75%, the community reinvestment benchmark would be 80% and the unrestricted bonus benchmark would be 85%. For 180-day follow-up, these percentages would be 50%, 55% and 60%, respectively. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 86% after a 30-day follow-up and 66% after a 180-day follow-up. These averages would exceed all of the proposed benchmarks for these criteria. In addition, if agencies continued the same level of performance into the next contract, 86% would meet the benchmark for community reinvestment funds for a 30-day follow-up and 89% would meet that benchmark for a 180-day follow-up. In addition, 60% would meet the benchmark for unrestricted performance bonuses for a 30-day follow-up and 74% would meet the benchmark for a 180-day follow-up.

22. It could be argued that the benchmarks for this standard should be increased because most agencies are greatly exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark for 30-day follow-up could be increased to 85%, the community reinvestment benchmark could be increased to 90% and the unrestricted performance benchmark could be increased to 95%. The base benchmark for 180-day follow-up could be increased to 65%, the community reinvestment benchmark could be increased to 70% and the unrestricted performance benchmark could be increased to 75%. The benchmarks could also be increased to other amounts if desired. (Alternatives 3f and 3g)

23. Another option would be to also measure job retention rates after 360 days to take a more long-term perspective. Because the contracts are only for two years, only a limited amount of data would be available for a 360-day benchmark. If the Committee wishes to add this standard, it may be most appropriate as an informational standard. (Alternative 3h)

**d. Full and Appropriate Engagement**

24. Full and appropriate engagement is defined as W-2 and FSET participants appropriately engaged in work and educational activities with a current employability plan. In addition, participants receiving a time extension must be assigned to one or more of the following activities: substance abuse assessment, substance abuse counseling, disability assessment, mental health assessment, mental health counseling, SSI advocacy/application, physical rehabilitation, domestic violence services or personal care. This differs from the current full and appropriate engagement standard, which requires a certain number of hours to be worked by W-2 and FSET participants. The base contract and right of first selection benchmark would require 80% of participants to be fully and appropriately engaged in allowable activities, the community reinvestment benchmark would require 85% and the unrestricted bonus benchmark would require 90%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000

was 93%, which would exceed all of the proposed benchmarks for this criterion. In addition, if agencies continued the same level of performance into the next contract, 93% would meet the benchmark for community reinvestment funds and 83% would meet the benchmark for unrestricted performance bonuses.

25. It could be argued that the benchmarks for this standard should be increased because most agencies are significantly exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark could be increased to 90%, the community reinvestment benchmark could be increased to 95% and the unrestricted performance benchmark could be increased to 100%. The benchmarks could also be increased to other amounts if desired. (Alternative 3i)

*e. Basic Education Activities*

26. The basic education activities standard would measure the percentage of adult W-2 participants in appropriate education and training activities. This differs from the current standard because it excludes FSET participants. The base contract and right of first selection benchmark would be 80%, the community reinvestment benchmark would be 85% and the unrestricted bonus benchmark would be 90%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 90%, which would meet or exceed all of the proposed benchmarks for this criterion. In addition, if agencies continued the same level of performance into the next contract, 89% would meet the benchmark for community reinvestment funds and 75% would meet the benchmark for unrestricted performance bonuses.

27. It could be argued that the benchmarks for this standard should be increased because most agencies are exceeding the current benchmarks and agencies should only be awarded for above-average performance. Accordingly, the base benchmark could be increased to 90%, the community reinvestment benchmark could be increased to 95% and the unrestricted performance benchmark could be increased to 100%. The benchmarks could also be increased to other amounts if desired. (Alternative 3j)

28. The Committee could also modify this standard to include FSET participants since FSET is an integral part of the W-2 contract. DWD states that it took FSET participants out of this standard because of their quick entry and exit patterns. (Alternative 3k)

*f. Educational Attainment*

29. DWD proposes to add a new performance standard for educational activities attainment. This standard would measure the percentage of adult W-2 participants completing any educational or training activity. The base contract and right of first selection benchmark would be 35%, the community reinvestment benchmark would be 40% and the unrestricted bonus benchmark would be 45%. DWD used data on how agencies performed in the current educational activities standard to determine the appropriate percentages for each benchmark. The benchmarks are much lower for the proposed educational attainment standard than for the basic education activities

standard because fewer participants are anticipated to complete education activities than are enrolled.

30. The Committee could modify this standard to include FSET participants since FSET is an integral part of the W-2 contract. DWD states that it took FSET participants out of this standard because of their quick entry and exit patterns. (Alternative 3m)

31. For the current W-2 contracts, there is a similar optional standard that measures successful completion of a basic skills or job skills program. A total of 50% of W-2 and FSET participants assigned to basic skills or job skills training must complete the required training successfully in order to meet the standard. Only eight agencies were meeting this standard at the end of calendar year 2000. This low rate may be due to limited emphasis placed on this benchmark by agencies since they can only substitute one optional standard for a mandatory standard and it is much easier for agencies to meet the other optional standard-- entering into a faith based contract. Based on performance under the current basic skills attainment standard, the unrestricted bonus benchmark for the new educational attainment standard could be set at 50%. The other benchmarks for the new educational attainment standard could be set at 40% for the base contract and right of first selection benchmark and 45% for the community reinvestment benchmark. (Alternative 3L)

**g. Staff Caseload Ratio**

32. DWD proposes to add another new performance standard requiring financial and employment planners (FEPs) to have a caseload of no more than 55 W-2 cash cases at one time. In addition, FEPs could not have more than 70 cases in all other programs for a total of 125 cases. Under the base contract benchmark, agencies would have to meet this requirement for all eight quarters of the contract. For right of first selection, agencies would have to meet this requirement for the first four quarters (which is the timeframe for measuring performance for right of first selection). This standard would not be used for community reinvestment or unrestricted performance bonuses. This standard is included in the current W-2 contracts and has been in place since W-2 was first implemented. However, according to DWD, this standard was not based on quantitative or qualitative research.

**h. W-2 Agency Staff Training**

33. Another new standard proposed by DWD is to require W-2 agency staff and subcontractors working as FEPs to meet DWD's training requirements. The base contract and right of first selection benchmark would require 90% of agency staff and subcontractors to meet the training requirements, the community reinvestment benchmark would require 95% and the unrestricted bonus benchmark would require 100%.

34. The current W-2 contracts require W-2 agencies to ensure that all staff, including subcontracted staff, complete prescribed Department training. It could be argued that staff training is an intrinsic element of the W-2 program and that the base contract requirement should be that 100% of staff meet training requirements. If the base contract standard is raised to 100%, then this

standard would not be used in determining community reinvestment funds and performance bonuses. (Alternative 3n)

*i. Appropriate W-2 Tier Placement*

35. DWD is also proposing adding a new standard for appropriate W-2 tier placement. Under this standard, the Department would measure the percentage of W-2 participants that receive an assessment within 30 days to determine the appropriate W-2 placement. In addition, the assessments for W-2 transitional placements would need to be done by a medical professional. The base contract and right of first selection benchmark would be 80%, the community reinvestment benchmark would be 85% and the unrestricted bonus benchmark would be 90%.

36. An argument could be made that appropriate placement of W-2 participants is a key requirement and responsibility of W-2 agencies and that base contract requirement should be 100%. If the Legislature chooses to raise the base contract standard to 100%, then this standard would not be used in determining community reinvestment funds and performance bonuses. (Alternative 3o)

*j. Extension Requests*

37. Another new performance standard proposed by DWD would address extensions beyond the 24- and 60-month time limits for participants. To meet the base contract and right of first selection benchmark, agencies would be required to process at least 85% of extension requests in a timely manner. In addition, at least 95% of extension requests would have to be documented in CARES in a timely manner. Both criteria would have to be met for an agency to meet the base contract and right of first selection benchmark. This standard would not be used in calculating community reinvestment or unrestricted bonus allocations. The W-2 manual requires that W-2 agencies submit requests for extensions to DWD to extend the 24-month time limit no later than three months prior to the last day of the participant's 24<sup>th</sup> month. If the W-2 agency decides that a subsequent extension is necessary, then it must submit a request to DWD no later than one month prior to the last day of the extension period. For the 60-month time limit, W-2 agencies have the authority to decide whether an extension is warranted but there are not currently any required time lines in the W-2 manual. DWD indicates that it will be releasing a policy soon on how to address extensions of the 60-month time limit.

38. An argument could be made that timely processing and documentation of extension requests is imperative to prevent gaps in services and that the base contract and right of first selection benchmark should be increased to 100%. (Alternative 3p)

*k. Customer Satisfaction*

39. A statutory provision that will go into effect for the 2002-2003 W-2 contracts mandates that customer satisfaction be one of the standards for awarding any performance bonuses. DWD has developed a performance standard to address this requirement. For the base contract and right of first selection benchmark, agencies would have to have a score of at least 6.5 on a 10-point scale on each item surveyed. The following 10 items are proposed to be surveyed:

- Staff clearly explained what programs and services were available
- Staff treated participants with respect
- Staff was helpful
- Staff assisted in transportation, if needed
- Staff assisted in child care, if needed
- Staff returned phone calls within two business days
- Agency was open when participants could come in
- Staff set up after-office hours, if needed
- Participants felt comfortable going to the agency
- Participants were satisfied, overall, with service

40. While agencies would not receive community reinvestment funds under this performance standard, 10% of the performance bonus funding would be allocated to the 10 top-scoring agencies on a proportional basis based on caseload. Agencies would not be allowed to receive more than 200% of their contract allocations. For example, an agency with a base allocation of \$250,000 could receive a customer satisfaction bonus of up to \$500,000. Limiting this performance standard to the 10 top-scoring agencies could result in proportionally large awards for small agencies. An alternative would be to provide performance bonuses to all agencies that score above a certain amount on each question, such as 6.5, 7.0 or some other amount. (Alternative 3q)

#### *I. Financial Management*

41. DWD has also added a performance standard focusing on financial management. In order to be in compliance with the base contract or to gain right of first selection, agencies could have no significant audit finding as determined by DWD in its single agency audit or any audit conducted by DWD or the Legislative Audit Bureau. This standard would not be used in determining community reinvestment and performance bonus funds.

42. Through its audits of W-2 agencies, the Legislative Audit Bureau identified ineligible and questioned expenditures made by several W-2 agencies associated with the 1997-1999 W-2 contracts, primarily at Maximus and Employment Solutions, Inc. (ESI) in Milwaukee County. Because of the right of first selection process outlined in the current W-2 contracts and in the statutes, audit findings could not be used to determine whether any agency would gain right of first selection. The right of first selection process will be discussed in detail later in this paper. This new standard would prevent an agency with "significant" audit findings from gaining the right of first selection.

43. DWD does not define what would constitute a significant audit finding because a variety of factors may be involved in audit reports. It could be argued that any unallowable or questioned costs in excess of a certain dollar amount should be classified as a significant audit finding. Maximus had \$780,013 in unallowable and questioned costs while ESI had \$367,401 in unallowable and questioned costs. Other agencies had unallowable and questioned costs ranging from \$882 in Kenosha County to \$76,257 in Opportunities Industrialization Center in Milwaukee County. A standard could be set at \$25,000 per contract, \$50,000 per contract or some other amount. (Alternative 3r). A standard could also be set at a certain percentage of the contract amount. (Alternative 3s)

44. Another option would be to establish different thresholds for unallowable and questioned costs because agencies may ultimately be successful in arguing that some of the questioned costs are permissible. Maximus had \$380,575 in unallowable costs and \$399,438 in questioned costs. Employment Solutions had \$306,167 in unallowable costs and \$61,234 in questioned costs. Other agencies had \$12,604 in unallowable costs and \$91,237 in questioned costs. Of these agencies, the highest amount of unallowable costs was \$4,168 in YW Works and the highest amount for questioned costs was \$66,855 in Opportunities Industrialization Center, both in Milwaukee County. A threshold for unallowable costs could be set at \$25,000 and a threshold for questioned costs could be set at \$50,000 or some other combination of amounts. If an agency surpassed either threshold within a contract period, they would not meet the base contract and right of first selection benchmark. (Alternative 3t)

*m. Contract Compliance*

45. Another new performance standard proposed by DWD addresses contract compliance. This standard states that an agency would only be able to meet base contract compliance and the right of first selection if it is not or has not been subject to a corrective action plan for substantial noncompliance as determined by the Department. The term "substantial noncompliance" is not defined. This standard would not be used in calculating community reinvestment or unrestricted bonus allocations.

46. Under DWD's proposed contract terms, W-2 agencies would be able to submit a corrective action plan to address noncompliance with the provisions of the W-2 contract. In addition, W-2 agencies would be required to submit corrective action plans within six days of receipt of a notice from DWD of failure to perform any provision of the contract. If the agency does not fully implement an approved corrective action plan within 10 days of approval, the Department could terminate the contract.

*n. Optional Performance Standards*

47. DWD proposes three optional performance standards: faith-based contracts, SSI advocacy and employer health insurance. The proposed contract terms would allow W-2 agencies to use one of the optional criteria as a substitute for the unrestricted bonus for one of the following six performance standards: entered employment placement rate; earnings gain; job retention rate; full



and appropriate engagement; basic education activities; and educational activities attainment.

48. To meet the faith-based contract standard, agencies would be required to have a valid contract with a faith-based provider, provide services under the contract and have the contract in effect for seven out of eight quarters. This criterion is also an optional standard under the current W-2 contracts and 70 out of 78 agencies had contracts with faith-based providers for three out of the first four quarters of the contract.

49. Some may argue that having a faith-based contract is not truly a measure of performance because similar services could be provided by non-faith based contractors and that this criterion should not be an optional performance standard. (Alternative 3u)

50. For the SSI advocacy standard, agencies would have to have a valid contract or memorandum of understanding between the W-2 agency and an SSI advocacy agency or have an SSI advocate on staff. This criterion is not part of the current W-2 contracts. According to DWD, some currently have contracts with SSI advocates or have SSI advocacy staff, including Adams, Dane, Douglas, Eau Claire, ESI, UMOS, La Crosse and Rock. The Department included this standard because some W-2 participants would be more appropriately receiving SSI because they have long-term disabilities and are not able to comply with the work requirements and time limits under W-2.

51. It could be argued that having SSI advocates is a key component of the services that should be provided by W-2 agencies and should be a base contract requirement and not an optional performance standard. (Alternative 3v)

52. The employer health insurance standard is mandatory in the current W-2 contracts. The base contract and right of first selection benchmark is that 30% of participants placed in unsubsidized employment have employer health insurance within 180 days of placement. The first tier bonus benchmark is 35% and the second tier bonus benchmark is 40%. As shown in Attachment 2, the average performance on this benchmark in calendar year 2000 was 56%, which exceeds all of the current benchmarks for this criterion.

53. DWD states that it made this performance standard optional because the availability of jobs with health insurance is not something that a W-2 agency can control. However, it was retained because statutory language requires that performance bonuses be based on wages and "benefits." It could be argued that this benchmark should remain mandatory since it is important to encourage job placement with employers who have health insurance to reduce the need for the medical assistance and BadgerCare programs. However, the benchmarks could be increased to 55%, 60% and 65% based on performance during calendar year 2000. (Alternative 3w)

54. In the current W-2 contracts, there is also an optional performance standard for basic and job skills attainment. As noted, DWD proposes to modify this standard and make it mandatory. The new standard is described in the educational attainment section above.

*p. Informational Performance Standards*

55. DWD plans to collect data on several indicators to obtain more information about the impact of W-2 on participants. These criteria include: (a) average wage at placement; (b) the percentage of participants in activities designed to reduce and address barriers to employment such as AODA and mental health services; (c) the number of work program participants in children first, welfare-to-work and the workforce attachment and advancement program; (d) the level of in-work supports such as the earned income tax credit, child care, medical assistance, food stamps and child support; (e) the number of participants moving out of poverty during and after program participation; (f) recidivism rates; and (g) activities and employment of 18 and 19 year-olds in school.

56. The average wage at placement standard is mandatory under the current W-2 contracts. An option to retain this as a mandatory standard is discussed under the section on the earnings gain standard above.

*r. Weighting of Performance Standards*

57. In its audit of the W-2 program, the Legislative Audit Bureau stated that weighting performance criteria equally may not be the best approach to measure performance. A suggestion to weight criteria was also included in a May, 1999, letter to DWD from the Co-chairs of the Legislative Audit Committee. The Audit Bureau suggests that it may be more appropriate for some standards, such as the number of participants placed in jobs, to be weighted more heavily than others. In DWD's draft contract terms for the next W-2 contracts, the Department states that total funding allocated for bonuses would be divided as follows: 60% for the priority participant outcomes standards; 30% for the high quality and effective case management services performances standards and 10% for the customer satisfaction standard.

58. Additional weighting of criteria could be implemented to emphasize the statutory goal of W-2 to promote self-sufficiency of participants. Depending on which standards the Committee would like to include for performance bonuses, the Committee could place the greatest weight on criteria that help measure whether participants are moving towards self-sufficiency. These criteria could include: (a) entered employment placement rate; (b) earnings gain; (c) wage rate; (d) job retention; and (e) education activities attainment. The percentage weights for these criteria versus other criteria would depend on how many other performance criteria the Committee recommends be put in place. (Alternative 5)

59. An argument could be made that the weighting proposed by DWD already provides sufficient emphasis on participant outcomes.

**Right of First Selection Process**

60. Through its draft contract terms, DWD has made significant changes to the right of first selection process. DWD would no longer be required to grant the right of first selection to agencies that have significant audit findings or have been subject to a corrective action plan for

substantial noncompliance. However, there may be additional considerations that make it undesirable to grant the right of first selection to particular agencies in the future and the state would be constrained by language in the statutes and the contract. In addition, the right of first selection provisions make it difficult for DWD to change the number of regions in which W-2 is administered, as described in the Geographic W-2 Regions section below.

61. One option would be to remove the right of first selection provisions from the next W-2 contracts and from the statutes. Under this option, DWD would be required to award W-2 contracts on the basis of a competitive process approved by the Secretary of the Department of Administration. Since the right of first selection process is already underway for the next W-2 contracts, the statutory change would affect the 2004-2005 contracting process. (Alternative 6)

62. A second option would be to modify the statutes to require DWD to utilize a competitive process to select W-2 agencies, unless it opts to re-contract with agencies based on standards developed by the Department. This would give the Department the flexibility to either use a competitive process or a right of first selection process. If DWD decides that agencies need to meet additional criteria that were not included in the performance standards at the time the contracts were signed, DWD would be permitted to conduct a competitive process instead of re-contracting with agencies through a right of first selection process. Since the right of first selection process is already underway for the next W-2 contracts, the statutory change would affect the 2004-2005 contracting process. In addition, DWD's draft contract terms for the 2002-2003 W-2 contracts would need to be modified to reflect this policy change. (Alternative 7)

### **Geographic W-2 Regions**

63. There are currently six W-2 regions in Milwaukee County and one W-2 region for every other county. The statutes allow DWD to decide the number of regions administratively. The law states that no geographic area can be smaller than one county, except for Milwaukee County.

64. In the first month of W-2 in September, 1997, the Milwaukee County cash caseload was 21,889 while in January, 2001, this number had decreased by 76.8% to 5,077. In its audit on the W-2 program, the Legislative Audit Bureau indicated that five contractors may no longer be needed to adequately serve the remaining participants. The Audit Bureau suggests that reducing the number of contractors in Milwaukee County may improve services and reduce costs by: (a) creating competition for the right to provide program services; (b) reducing the disruption of services by eliminating the need for some participants who move within the County to seek services from different administrative agencies; (c) reducing administrative costs by, for example, reducing the number of administrators and other managers needed for program administration; and (d) improving oversight of contractor spending, which has become an issue given examples of inappropriate spending that occurred with two of the five Milwaukee contractors during the program's initial contract period. In addition, services that are being provided by all of the agencies, such as job training and basic education, could likely be done more cost effectively by fewer agencies.

65. There are two options to change the number of regions in Milwaukee County for the

2002-2003 contracts. First, DWD could consolidate the regions administratively. However, the Department may be legally unable to do this because the right of first selection set out in the statutes gives the existing Milwaukee W-2 agencies the ability to renew their contracts if they meet certain performance standards set out by the Department. The right of first selection is also delineated in the current W-2 contracts, which would also limit DWD's ability to consolidate the Milwaukee W-2 agencies administratively.

66. The second option would be to make statutory changes. Because the right of first selection process is delineated in the current W-2 contracts for 2000-2001, trying to apply geographic consolidation to the 2002-2003 contracts could result in litigation over breach of contract. To avoid possible legal problems, an option would be to make a statutory change stating that the right of first selection will not apply for the 2004-2005 contracts in cases where the geographic area has been changed. (Alternative 8.) If the Committee would like to consolidate Milwaukee County into one region, a statutory change could be made to eliminate the provision allowing Milwaukee County to be divided into more than one region, effective for the 2004-2005 contracts. (Alternative 9.) If the Committee would like to maintain the flexibility of having more than one region in Milwaukee County, then this change would not be necessary. It would also be important to clarify in the 2002-2003 contracts that the right of first selection will not apply for the 2004-2005 contracts in cases where the geographic area has been changed.

#### **Financial Accountability**

67. DWD's proposed contract terms include new measures to ensure financial accountability. Agencies would not gain the right of first selection if they have significant audit findings or have been subject to a corrective action plan for substantial non-compliance, as described in the performance standard section above. In addition, some have argued that penalties should be imposed on W-2 agencies that misspend their funds, regardless of whether the errors were inadvertent or intentional.

68. DWD proposes to modify its system for failure penalties to allow penalties to be assessed for failure to implement the W-2 and related programs or operations requirements. According to DWD, misuse of funds documented in an audit would constitute failure to meet an operations requirement, but this is not specifically stated and could be clarified in the contract terms. The Department would be required to investigate alleged instances of failure to implement programs or operations requirements for the contract and would be required to issue a written finding of fault or no fault. The Department would be authorized to assess penalties in the amount of \$5,000 per failure but could waive all or part of the penalty amount. Penalties could be assessed if the agency knowingly denies or refuses services, engages in a pattern of repeated failure to provide necessary accommodations required for persons with disabilities to access services; fails to correct a pattern of non-response to telephone contacts; fails to timely respond to written contact from a W-2 applicant or W-2 participant; does not provide publicly advertised W-2 services in terms of location, hours or staff availability; or fails to implement W-2 and related programs or operations requirements.