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☞ Details: Wisconsin Works (W-2)

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (November 2012)

Record of Committee Proceedings

Joint Legislative Audit Committee

Proposed Audit on the Department of Workforce Development's Wisconsin Works (W-2) Program

January 30, 2004 Referred to Joint Legislative Audit Committee.

February 11, 2004 **PUBLIC HEARING HELD**

Present: (8) Senators Roessler, Plale and Lassa;
Representatives Jeskewitz, Kaufert, Kerkman,
Cullen and Pocan.
Absent: (2) Senators Cowles and Darling.

Appearances For

- Roberta Gassman, Madison – Secretary, Department of Workforce Development
- Carol Medaris, Madison – Senior Staff Attorney, Wisconsin Council on Children and Families
- Victoria Selkowe, Madison – Economic Justice Institute, Inc.
- Kathleen Mulligan-Hansel, Milwaukee – Institute For Wisconsin's Future
- Pat DeLessio, Milwaukee – Legal Action of Wisconsin
- Amy Stear, Milwaukee – W-2 Monitoring Task Force
- Tracy Jones, Milwaukee
- Susan McMurray, AFSCME, Madison
- Julie Kerksick, New Hope Project

Appearances Against

- None.

Appearances for Information Only

- Janice Mueller, Madison – State Auditor, Legislative Audit Bureau
- Paul Stuiber, Madison – Legislative Audit Bureau

Registrations For

- Mildred Navedo, Milwaukee

Registrations Against

- None.

February 11, 2004 **EXECUTIVE SESSION HELD**

Present: (8) Senators Roessler, Plale and Lassa;
Representatives Jeskewitz, Kaufert, Kerkman,
Cullen and Pocan.
Absent: (2) Senators Cowles and Darling.

Moved by Senator Plale, seconded by Senator Roessler that
**Proposed Audit on the Department of Workforce
Development's Wisconsin Works (W-2) Program**, be approved
according to the scope statement prepared by the Legislative Audit
Bureau.

Ayes: (8) Senators Roessler, Plale and Lassa;
Representatives Jeskewitz, Kaufert,
Kerkman, Cullen and Pocan.
Noes: (0) None.
Absent: (2) Senators Cowles and Darling.

ADOPTION RECOMMENDED, Ayes 8, Noes 0



Pam Matthews
Committee Clerk

Vote Record

Joint committee on Audit

Date: February 11, 2004

Moved by: Sen. Plale

Seconded by: Sen. Roessler

Motion to Move approval of the Proposed Audit of the Wisconsin Works (W-2) Program according to the scope statement prepared by the Legislative Audit Bureau.

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Carol Roessler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Robert Cowles	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Alberta Darling	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Senator Julie Lassa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Jeff Plale	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Dean Kaufert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative David Cullen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mark Pocan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>8</u>	<u>0</u>	<u>2</u>	<u>0</u>



1. Opening Remarks:

- Welcome everyone – we have two scopes to hear about and vote on today. One on the Department of Workforce Development's Wisconsin Works (W-2) Program and the other on Wisconsin's Economic Development Programs.
- Senator Darling:
 1. Mention that she sent a letter to the co-chairs requesting the W-2 audit. *- name -*
(give her some credit)
 2. We are sorry to inform you that Senator Darling had to leave the state today for a family emergency so she won't be joining us today.
- ****(They would prefer that we not say exactly who and what)
- Also, some of our members have other meetings or hearings that overlap this one that may present a quorum issue, therefore we will hold the public hearing on the two scopes and then go into executive session, this will give these members a better chance to be present for voting.
 - **Kaufert has a Governor's Council on Domestic Abuse Meeting until 12:00
 - **Kerkman has bills up in other meetings in the Capitol that will require her to be in and out of the meeting – we can go get her for voting.
- Please fill out a hearing slip if you would like to testify or register on either of the scope subjects before us today.

2. Attendance – clerk will call the roll

3. Wisconsin Works (W-2) Program Scope

Order people are called up to speak:

- Jan Mueller
- Secretary Roberta Gassman, Department of Workforce Development.
- Any legislators present
- Any others who handed in a hearing slip to speak.

4. Wisconsin's Economic Development Programs

Order people are called up to speak:

- Jan Mueller
- Any legislators present
- Any identified departments that want to speak
- Any others who handed in hearing slip to speak

5. We will now go into executive session to discuss both the Wisconsin Works (W-2) Program Scope and the Wisconsin's Economic Development Programs Scope.

- **Wisconsin Works (W-2) Program Scope**
 - Committee discussion
 - Motion language: Can I have a motion to direct the Legislative Audit Bureau to conduct the audit outlined in the scope on **Wisconsin Works (W-2) Program Scope** dated February 5, 2004.

- 2nd
- Vote

- **Wisconsin's Economic Development Programs Scope**
 - Committee discussion
 - Motion language: Can I have a motion to direct the Legislative Audit Bureau to conduct the audit outlined in the scope on **Wisconsin's Economic Development Programs** dated February 5, 2004.
 - 2nd
 - Vote

6. Adjourn



Overview of 2001 Audit

I. Overview and Findings

The 2001 Comprehensive Audit of W-2 provided valuable insight into the way the program operated. Chief among the findings reported in the 2001 audit were the following:

- Use of assessments was extremely limited
- Access to specific types of services (employment counseling, AODA treatment, mental health counseling, education and training) was extremely limited
- Agencies regularly sanctioned participants; review of a sample of cases showed high prevalence of inappropriate sanctions
- Average earnings of W-2 leavers were far below the poverty line, even when state and federal tax credits were added in
- Agencies pocketed over \$65 million in profits, despite a poor record of service provision
- The Trial Job category was severely underutilized

II. Structure of the Audit

Introduction	Demographic profile of participants Overview of implementation structure Types of services provided Trends in participation/caseload numbers Placements (cash vs. non-cash)
Program expenditures	Total costs Structure of initial contract Spending by category (services, cash benefits, admin) Unspent funds Community Reinvestment Current Contracts Total expenditures Performance bonuses
Program effectiveness	Financial status of former participants

	Incomes
	Relation to poverty line
	Use of tax credits
	Returning participants
“Other Factors”	Sanctions
	percent sanctioned
	avg. amount sanctioned
	sanction as a % of benefit levels
	inappropriate sanctions (sample)
	Dispute resolution
	Trial jobs
Oversight/measurement	Performance standards
	The Role of the Milwaukee County PIC

III. Data Reviewed

- available data on program participants, including trends in program participation
- program expenditures under the initial implementation contract and ongoing contract, including performance bonuses linked to meeting specific standards
- provision and effectiveness of services under first W-2 contracts, including wages paid to W-2 participants and extent to which they remain in poverty
- management oversight of the program
- funding and policy issues affecting the program that will require consideration by Leg., and DWD

IV. Recommendations

The Audit Bureau concluded by recommending that DWD and the legislature address the following:

- Whether participants' barriers to employment are being adequately addressed
Grade: some progress
In the past year, DWD mandated the use of barrier screening tool, and educational assessment. We still see participants being sanctioned without having ever received appropriate assessment, inadequate use of tests of basic English (TABE) and inadequate provision of services to participants that have low test scores.
- How to serve participants who are approaching time limits
Grade: no progress

The Audit asked for a report from DWD by September 2001 with detailed information on use of extensions; report was never produced

- How to address needs of participants who left W-2 for labor market but are still in poverty

Grade: no progress

- Whether to consolidate contracts in Milwaukee County

Grade: minimal progress

We do have fewer providers, but no fewer regions. The transfer process for participants who move from one region to another is extremely expensive for the state and cumbersome for both participants and agencies. Eliminating the regions would give participants more power to choose and streamline implementation.



I. Justification for Revisiting the 2001 Audit

Many observers of the W-2 program believe it is time to conduct a comprehensive audit of W-2, rather than an audit that narrowly focuses on the financial practices of one or a handful of agencies. A comprehensive audit would include detailed information on access to the program, work-related outcomes for W-2 participants, and the scope of appropriate service provision.

This approach is justified by:

- **Statutory reporting requirements**
 - W-2 statutes require quarterly reports on outcomes
- **Evidence of failure to serve**
 - extensive use of "job ready"
 - sanctions without proper assessments or services
 - Cf. 49.147, 49.143(2), 49.173
- **Changes in the context**
 - recession
 - two-year time limits
- **Changes in the contract structure**
 - performance standards
 - changes in number of type of providers

II. Goals for the 2004 Audit

Advocates for low-income families want to ensure that the audit enables us to develop a bi-partisan reform agenda that will: 1) improve accountability mechanisms, 2) provide more specific guidelines for service provision, 3) adjust the program to ensure connections between W-2 participants and meaningful work opportunities, and 4) ensure that fewer families without income are turned away without assistance and services.

- Do current performance standards reflect legislators' priorities for the W-2 program? Do they reflect our expectation that over the long-term W-2 would produce a better-educated workforce?
- Are the performance-based contracts providing the right incentives for W-2 agencies to provide appropriate services and meet desired outcomes?

- Are we getting the most for our money out of investment in W-2 service-provision? Is investment in workforce development through the W-2 system creating a better skilled, better prepared workforce?

III. Proposed Research Agenda

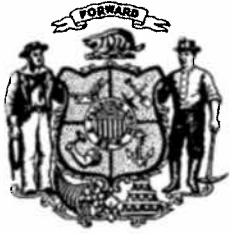
Our proposed research agenda would provide basic demographic information on the participants who are accessing the program, assess the quality of services and work-preparations they receive, evaluate outcomes for family income and well-being, describe the population of individuals who are unable to receive W-2 services, and assess financial and program-based accountability.

- **Description of caseload**
 - Demographic characteristics (**numbers, age, education level, W-2 placement**)
 - Prevalence of **barriers to employment**
 - Characteristics of “**returnees**”
 - **SSI** applicants
- **Quality of service provision**
 - Access to specific types of **services** (DV, AODA, mental health counseling, etc.)
 - Use of the **job ready** tier
 - Use of **sanctions** and **strikes**
 - Implementation of **screening and assessment** practices
 - Provision of **education and training** to W-2 participants
 - **SSI Advocacy**
 - Services provided to participants deemed **unable to work**
 - Utilization of **emergency assistance**
 - Services for **minor teen parents**
- **Outcomes**
 - Average **earnings**
 - Numbers of W-2 participants that obtained **employment and types of employment**
 - **Retention** of jobs
 - Responses to the **recession**
 - Characteristics of participants that received **extensions** and those that did not apply or were denied

- **Diversion**
 - Proportion of inquirers that **enroll in W-2**
 - **Characteristics** of individuals who do not enroll
 - Number of Medicaid and Food Stamps recipients in each county **who do not have** income, or have income below \$6000/yr.

- **Finances**
 - Total **expenditures**
 - Spending **per participant**
 - **Structure of Contracts** since 2001 audit
 - Spending **by category**
 - **Unspent** funds
 - **Budget shortfalls** – why they have happened and how they have been addressed
 - **Inappropriate uses of funds** and how they have been addressed
 - Appropriateness of **financial accountability** mechanisms

- **Service Delivery Standards**
 - Performance Standards – **appropriateness to W-2 statute**
 - How well agencies have met **performance standards**
 - Functioning of **oversight mechanisms** to protect needs and rights of participants
 - Extent to which performance standards drive **service provision** (as opposed to need to maintain the W-2 agency as a “business”)
 - Use of **fact-finding and appeals** processes

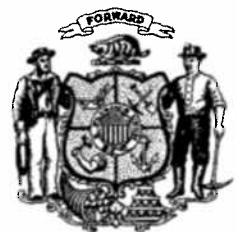


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For further assistance, contact the reference desk at (608) 266-0341 or lrb.reference@legis.wisconsin.gov.

State of Wisconsin - Legislative Reference Bureau
1 East Main Street, Suite 200
Madison, WI 53703



A REVIEW

*Wisconsin Works
(W-2) Expenditures*

Department of Workforce Development

99-3

February 1999

1999-2000 Joint Legislative Audit Committee Members

Senate Members:

Gary R. George, Co-chairperson
Judith Robson
Brian Burke
Peggy Rosenzweig
Mary Lazich

Assembly Members:

Carol Kelso, Co-chairperson
Stephen Nass
John Gard
Robert Ziegelbauer
David Cullen

LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 131 W. Wilson Street, Suite 402, Madison, WI 53703, call (608) 266-2818, or send e-mail to Leg.Audit.Info@legis.state.wi.us. Electronic copies of current reports are available on line at www.legis.state.wi.us/lab/windex.htm.

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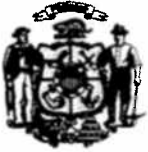
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APPENDIX V – W-2 CASH BENEFIT PAYMENTS BY CATEGORY

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**APPENDIX VII – RESPONSE FROM THE DEPARTMENT OF WORKFORCE
DEVELOPMENT**



State of Wisconsin \

LEGISLATIVE AUDIT BUREAU

February 22, 1999

JANICE MUELLER
STATE AUDITOR
SUITE 402
131 WEST WILSON STREET
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410

Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

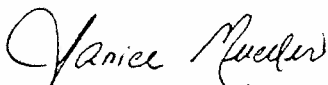
We have completed a review of Wisconsin Works (W-2) program expenditures, based on our preliminary work to complete a comprehensive program evaluation by July 2000. W-2 is a time-limited employment assistance program that replaced the cash entitlements available through Aid to Families with Dependent Children on September 1, 1997. It is administered by the Department of Workforce Development, which has contracted with 75 counties, private agencies, and tribes for local program implementation. From September 1997 through August 1998, expenditures for statewide implementation of W-2 totaled \$188.4 million. Contractors expended an additional \$28.7 million in state and federal funding on start-up activities to prepare for program implementation.

Program implementation expenditures were only 59.7 percent of the amount the State agreed to pay contractors for the first year, primarily because of lower-than-expected caseloads. While the Department estimated there would be 41,402 W-2 cases statewide in September 1997, the total enrollment in that month was only 23,182, which was 56.0 percent lower than anticipated. During the program's first year, caseloads declined 55.2 percent statewide, and 77.9 percent outside of Milwaukee County.

W-2 contracts allow unspent funds to be distributed to contractors as profits, to be used without restriction, and as community reinvestment funds, to be used for additional services for eligible low-income individuals. Because of the lower-than-expected caseloads, W-2 contractors have the potential to receive \$33.0 million in profits and \$47.2 million in community reinvestment funds. Actions by the Legislature and the Department have increased the amount of potential profits and community reinvestment funds for some agencies. We include options the Legislature may wish to consider to reduce future program costs, including restricting profits to more reasonable levels.

We appreciate the courtesy and cooperation extended to us by the Department of Workforce Development and the staff of W-2 agencies we contacted during our review. The Department's response is Appendix VII.

Respectfully submitted,


Janice Mueller
State Auditor

JM/PS/ao



**WISCONSIN LEGISLATIVE AUDIT BUREAU
AUDIT SUMMARY**

Report 99-3

February 1999

WISCONSIN WORKS (W-2) PROGRAM EXPENDITURES

The Wisconsin Works program, more commonly known as W-2, was created to help participants achieve self-sufficiency through employment. Under W-2, which replaced the cash entitlements available under Aid to Families with Dependent Children, participants are paid either wages that may be subsidized with public funds or cash benefits. The program includes work requirements for benefit recipients and a five-year lifetime limit on benefits. Participants are given access to a variety of support services to help them find and maintain employment, including child care subsidies, transportation assistance, case management services, and short-term loans to help meet job-search and employment expenses.

W-2 is funded with federal grants and state general purpose revenue. It is administered by the Department of Workforce Development and implemented locally by 75 contractors, which include county human and social service agencies, private nonprofit and for-profit agencies, and tribes. From September 1997 through August 1998, contractors' start-up expenditures totaled \$28.7 million, and program implementation expenditures totaled \$188.4 million.

Nearly Half of Program Expenditures Funded Cash Benefits for W-2 Participants

During the first year of statewide program implementation, nearly half of the \$188.4 million in program expenditures funded cash benefits paid to W-2 participants working in community service and transitional jobs, employers who hired W-2 participants for subsidized trial jobs, and caretakers of infants 12 weeks of age or younger. Direct services accounted for 41.6 percent of program implementation expenditures, and administration accounted for 8.9 percent.

W-2 participants are placed in job categories based on their level of preparedness for employment. Most cash benefits were paid to participants in community service jobs, which are designed to improve employability and provide work experience and training. The monthly cash benefit for these jobs is \$673. Caretakers of infants 12 weeks of age or younger, who are not required to work outside the home, also receive benefits of \$673 per month. An additional 10 percent of cash benefit payments supported transitional jobs, which employ individuals who are unable to perform independent, self-sustaining work, and for which the monthly payment is \$628. Less than 1 percent of cash benefit payments supported trial jobs, for which employers receive subsidies and which may become permanent, unsubsidized positions.

-over-

Expenditures and Caseloads Are Significantly Below Projections

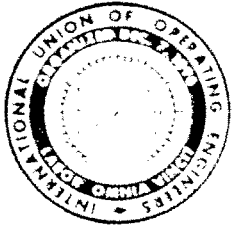
W-2 contractors are responsible for providing program services to all eligible individuals, even if the cost of doing so exceeds contract values. In exchange, the State has agreed to distribute any unspent funds to contractors as profits and as funds for community reinvestment. The \$188.4 million in reported first-year expenditures is 59.7 percent of the amount the State contracted to pay for program implementation. Contractors therefore have potentially earned \$33.0 million in first-year profits, which they may use for any purpose, and \$47.2 million in community reinvestment funds, which must be used to provide additional services to low-income individuals. The Department has the potential to retain \$47.2 million in program funds for use in any manner it determines appropriate in accordance with a state plan.

W-2 expenditures have been significantly lower than the contract budgets because caseloads have been significantly lower than anticipated. The contracts assumed 41,402 W-2 cases—which typically consist of a mother and one or more children—would receive cash benefits in September 1997; the actual statewide caseload of 23,182 was 56.0 percent of that amount. Twelve months later, in August 1998, W-2 caseloads were 28.7 percent of anticipated levels. They had declined by 55.2 percent statewide: outside Milwaukee County, the decline was 77.9 percent, while in Milwaukee County it was 46.7 percent.

The Legislature Could Enhance Program Oversight and Limit Future Profits

Private agencies under contract to serve Milwaukee County spent the greatest proportion of their W-2 budgets, 80.8 percent, during the first year of statewide program implementation. Tribes spent 51.7 percent, private contractors outside Milwaukee County spent 39.5 percent, and county social and human services departments spent 39.2 percent.

If the economy continues to be strong and caseloads continue to decline, contractors are likely to continue to spend less than the State has agreed to pay for program implementation during the current contract period, which ends December 31, 1999. To limit future profits to more reasonable levels, the Legislature may wish to establish more restrictive limits for profits under future W-2 contracts, to require contractors to contribute a portion of their profits under the first contract to offset expenditures for the second, or to consider alternative incentives, such as providing bonuses only if specific performance criteria are met. In addition, the Legislature may wish to provide the Department of Workforce Development with additional guidance for spending the \$47.2 million it is likely to retain after first-year profits and community reinvestment funds are paid to contractors.



International Union of Operating Engineers

LOCAL ONE HUNDRED AND THIRTY-NINE

CHARTERED FOR THE STATE OF WISCONSIN

N27 W23233 ROUNDY DRIVE P.O. BOX 130 PEWAUKEE, WISCONSIN 53072

PHONE: (414) 896-0139 FAX (414) 896-0758

DALE A. MILLER
Business Manager

To: Members of the Joint Audit Committee

From: Joe Wineke, Political Coordinator Local 139-Operating Engineers

Date: April 20, 1999

Re: Proposed audit of prevailing wage enforcement by the Departments of Workforce Development and Transportation

Since the 1930's, both the federal government and the state of Wisconsin have had laws on the books requiring that construction contractors working on government funded projects pay their employees wages no less than the prevailing wage paid in their occupation by private contractors in their locality. Known as the Davis-Bacon Act, these laws were created to make sure that contractors bidding on public projects do so on the basis of skill and efficiency, not on how poorly they pay their workers. We believe that the law has worked well historically.

In recent years, however, it is our belief that enforcement actions have been weakened. If this is true, this means that workers are getting a lower level of benefits than they are entitled under the law. This is not only unfair to workers and their families, it is illegal.

Wisconsin law carries sufficient penalties to deter unscrupulous contractors from violating the law. **PENALTIES ONLY WORK, THOUGH, IF THEY ARE ENFORCED. THERE APPEARS TO BE A CONSISTENT PATTERN OF NON-ENFORCEMENT OF THE EXISTING LAW.** That is why we are asking the Joint Committee on Audit to conduct a program and management audit of the Prevailing Wage Section of the Equal Rights Division of the Department of Workforce Development and the Prevailing Wage Section of the Department of Transportation.

We believe that the questions raised by Senator's Burke and Breske in their audit request will give the Audit Bureau sufficient direction to find out if our concerns are with merit. Obviously, we believe they are. Our goal is simply to make the law work better by better enforcement. Construction workers in Wisconsin deserve no less. On their behalf, we urge you to adopt this audit request.

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