



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #229

Caretaker of a Newborn Infant (DCF -- Economic Support and Child Care)

[LFB 2009-11 Budget Summary: Page 158, #7]

CURRENT LAW

A person who meets the eligibility requirements for a Wisconsin Works (W-2) employment position, and who is a custodial parent of an infant who is 12 weeks old or less, may receive a monthly grant of \$673, unless another adult member of the W-2 group is participating in a W-2 employment position, or is employed in unsubsidized employment. The parent may not be required to participate in a W-2 employment position during the 12 weeks. Receipt of a caretaker of a newborn infant (CNI) grant does not constitute participation for purposes of time limits imposed on participation in W-2 employment positions if the child was not born more than 10 months after the date the participant was first determined to be eligible for a W-2 employment position or the former aid to families with dependent children (AFDC) program. For a child born more than 10 months after the date the participant was first determined to be eligible for AFDC or a W-2 employment position, receipt of the grant does constitute participation unless the child was conceived as a result of a sexual assault or incest, which has been reported to a physician and to law enforcement authorities.

Participants in W-2 employment positions who receive temporary assistance to needy families (TANF) cash benefits are required to work a certain number of hours per week, and may be required to engage in education and training activities for a certain number of hours per week. Trial job participants do not have a number of required work hours, but are paid at least minimum wage for the number of actual hours worked. Community service job (CSJ) participants receive a grant of up to \$673 per month, may be required to work up to 30 hours per week, and may be required to participate in training activities for up to 10 hours per week. Participants in W-2 transitional placements receive a grant of up to \$628 per month, may be required to work up to 28 hours per week, and may be required to participate in education and training for up to 12 hours per week. Grants to persons in both CSJs and transitional placements are reduced by \$5.15 per hour for missed work or education and training activities.

W-2 participants are eligible to receive subsidies for child care for time spent in work activities, education and training activities, job search, and orientation activities required under W-2.

GOVERNOR

Provide \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 to reflect an extension of the amount of time an eligible custodial parent of an infant could receive a monthly W-2 grant from 12 weeks to 26 weeks. The funding includes \$765,400 in 2009-10 and \$2,166,000 in 2010-11 for cash benefits, which would be partially offset by a reduction in child care funding of \$353,800 in the first year and \$549,200 in the second year to reflect that individuals would be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care.

Extension of Eligibility. Extend CNI grants to 26 weeks for custodial parents who are eligible to receive CNI grants under current law and who had participated in a W-2 employment position for at least three months before receiving a CNI grant.

Participation for Purposes of Time Limit. Specify that receipt of a CNI grant would constitute participation for purposes of the time limit for all recipients unless the child was conceived as a result of a sexual assault or incest, which has been reported to a physician and law enforcement authorities.

Initial Applicability and Effective Dates. This extension of CNI grants would first apply to individuals participating in W-2 on January 1, 2010, and would first constitute participation for purposes of the time limit on that same date.

DISCUSSION POINTS

1. Under federal TANF law, states can exempt parents with children up to one year of age from worker participation requirements.

2. According to a report prepared by the U.S. Department of Health and Human Services, as of July, 2007, 22 states and the District of Columbia provided exemptions from TANF work participation requirements for parents caring for infants up to the age of one year. Two states provided exemptions to parents caring for children older than one year. Five states provided exemptions to parents with children ranging somewhere between three months to one year. Eleven states, including Wisconsin, provided exemptions for parents of infants who are up to three months old. Ten states provided no automatic exemptions.

3. The family medical leave act (FMLA) requires certain employers to provide 12 weeks of unpaid leave to care for a family member, for their own physical/mental health care, and after the birth or adoption of a child.

4. Wisconsin's current exemption of 12 weeks is based on the FMLA provisions, and on the assumption that most employees get no more than 12 weeks of unpaid leave after the birth or adoption of a child.

5. There is much research on early child development and the effects of day care versus home care. Some research suggests that, for infants under the age of one year, separation from their mother for more than 20 hours per week may disrupt the development of attachment, and put some children at risk for social and emotional problems. In addition, some research indicates that warm, nurturing environments, with consistent, loving caretakers are needed for healthy brain development in children's early stages. Proponents of extended work exemptions for W-2 participants argue that the high cost of infant care and rapid turnover of child care workers make most child care settings available to low-income families unable to provide this type of nurturing environment. Other studies show that parents who are stressed and lack social supports are more likely to enroll their child in low-quality child care.

6. On the other hand, some studies indicate that day care may benefit low-income children. According to some research, children from impoverished home environments who attended day care during the first three years of life scored higher on reading recognition and math tests. It can also result in greater curiosity, better concentration, and improved on-task behavior. However, as noted, there are concerns as to the quality of child care that low-income persons can afford and obtain.

7. In addition, some would argue that extending benefits for low-income parents of newborn infants, who may not be required to participate in any type of work, education, or training activities would be a reversion to the types of disincentives that were believed to foster dependency under the AFDC program.

8. The bill would provide that anyone who is determined eligible for W-2, who is a custodial parent of a child who is 26 weeks old or less on or after January 1, 2010, and had participated in a W-2 employment position for at least three months before receiving a CNI grant could receive a monthly grant of \$673, unless another member of the W-2 group is participating in a W-2 employment position, or otherwise employed in unsubsidized employment. If the child is 26 weeks old or younger, then the custodial parent could not be required to participate in work related activities.

9. The bill makes the following assumptions: (a) an average monthly CNI caseload of 1,380 over the 2009-11 biennium; (b) an average monthly CNI grant benefit of \$553 per month; (c) 33% of the CNI caseload would be eligible based on participation in a W-2 employment position for three months prior to receipt of the CNI grant; (d) 50% of CNI grant recipients under the new provision would have otherwise been placed in a CSJ; (e) the child care usage rate for CSJ participant with a child between the ages of three and six months is 24.2%; and (f) an average monthly child care subsidy payment for a child under (e) is \$514.

10. The bill would provide \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11

to extend CNI grants from 12 weeks to 26 weeks for individuals eligible under AB 75 (Alternative 1a). The funding includes \$765,400 in 2009-10 and \$2,166,000 in 2010-11 for cash benefits, which would be partially offset by reductions in child care funding of \$343,800 in the first year and \$549,200 in the second year to reflect that individuals would be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care. As noted above, in calculating the child care savings, the administration assumes that the child care usage rate (the percentage of W-2 participants with children between three and six months who receive child care subsidies) is 24.2%.

11. AB 75 provides GPR funding to extend CNI grants by 14 weeks for the individuals eligible under the bill. The Committee could provide \$421,600 FED in 2009-10 and \$1,616,800 FED in 2010-11 in TANF funds to support the CNI extension, rather than GPR funds (Alternative 1b). This alternative would affect the TANF ending balance in 2009-11 and should be made in concert with other issues that affect the TANF balance.

12. Table 1 below provides revised estimates of the costs associated with extending the CNI grant from 12 weeks to 26 weeks. These revised estimates assume: (a) an average monthly CNI caseload of 1,449 based on the average caseload from July, 2008, through April, 2009; (b) an average monthly CNI grant benefit of \$533 per month based on the average monthly benefit from July, 2008, through April, 2009; (c) 29.2% would be eligible based on participation in a W-2 employment position for any three months prior to receipt of the CNI grant based on an average from December, 2007, through November, 2008; (d) 24.9% of CNI grant recipients under the new provision would have otherwise been placed in a CSJ based on data from January, 2008, through November, 2008; (e) the child care usage rate for a CSJ participant with a child between the ages of three and six months is 46.2% based on an average from December, 2007, through November, 2008; and (f) the average monthly child care subsidy payment for a child under (e) is \$593 based on an average from December, 2007, through November, 2008.

TABLE 1

Comparison of Estimated Costs of Extending CNI Grants from 12 Weeks to 26 Weeks for Eligible Individuals Under AB 75 and Reestimate

	<u>Governor</u>		<u>Reestimate</u>		<u>Difference</u>	
	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>
W-2 Benefits	\$765,400	\$2,166,000	\$1,021,100	\$2,042,300	\$255,700	-\$123,700
Child Care Subsidies	<u>-343,800</u>	<u>-549,200</u>	<u>-696,000</u>	<u>-1,392,000</u>	<u>-352,200</u>	<u>-842,800</u>
Net Costs	\$421,600	\$1,616,800	\$325,100	\$650,300	-\$96,500	-\$966,500

13. As shown in Table 1, compared to current law, net costs of the provision are projected at \$325,100 in 2009-10- and \$650,300 in 2010-11. Therefore the amounts under the bill

could be reduced by \$96,500 in 2009-10 and \$966,500 in 2010-11 to reflect these estimated costs, for a total reduction of \$1,063,000 over the biennium. The Committee could reduce GPR funding by these amounts to reflect the revised estimates (Alternative 2a). Alternatively, the Committee could provide \$325,100 FED in 2009-10 and \$650,300 FED in 2010-11 and reduce funding by \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 to replace GPR with TANF funds for the extension of CNI benefits (Alternative 2b).

14. AB 75 conditions eligibility for the CNI extension upon participation in a W-2 employment position for three months prior to receipt of the CNI grant. The bill does not specify that these three months be the three months immediately prior to receipt of the CNI grant. DCF indicates that if this provision limited eligibility to CNI grant recipients who had participated in a W-2 employment position in the three months immediately prior to receipt of the CNI grant, then only 1.8% of the CNI caseload would be eligible, rather than 29.2% as reflected under Table 1. Table 2 reflects estimates of the CNI provision with the assumption that only 1.8% of the CNI recipients would be eligible.

TABLE 2

Comparison of Estimated Costs of Extending CNI Grants from 12 Weeks to 26 Weeks for Eligible Individuals Under AB 75 and Reestimate

	<u>Governor</u>		<u>Reestimate</u>		<u>Difference</u>	
	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2010-11</u>
W-2 Benefits	\$765,400	\$2,166,000	\$62,900	\$125,900	-\$702,500	-\$2,040,100
Child Care Subsidies	<u>-343,800</u>	<u>-549,200</u>	<u>-42,900</u>	<u>-85,800</u>	<u>300,900</u>	<u>463,400</u>
Net Costs	\$421,600	\$1,616,800	\$20,000	\$40,100	-\$401,600	-\$1,576,700

15. As shown in Table 2, compared to current law, net costs of the provision are projected at \$20,000 in 2009-10- and \$40,100 in 2010-11. Therefore, the amounts under the bill could be reduced by \$401,600 in 2009-10 and \$1,576,700 in 2010-11 to reflect these estimated costs, for a total reduction of \$1,978,300 over the biennium. The Committee could reduce funding by \$401,600 GPR in 2009-10 and \$1,576,700 GPR in 2010-11 to reflect these estimated costs in the 2009-11 biennium (Alternative 3a). Alternatively, the Committee could provide \$20,000 FED in 2009-10 and \$40,100 FED in 2010-11 and reduce funding by \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 to replace GPR with TANF funds for the extension of CNI benefits (Alternative 3b).

16. Finally the bill would make receipt of CNI grants count as participation for purposes of time limits beginning with grants received on January 1, 2010 (Alternative 5a). Under both state and federal law, the length of time an individual or any other adult in the individual's W-2 group may receive benefits is limited to 60 months. The 60 months do not have to be consecutive.

17. Therefore, under the bill, a CNI grant recipient could have as much as 26 weeks counted against the 60-month time limit. The Committee may wish to delete this provision to reflect current law, which allows the CNI grant period to not constitute participation for purposes of federal and state time limits if the child was not born more than 10 months after the date the participant was first determined to be eligible for assistance for a W-2 employment position (Alternative 5b).

ALTERNATIVES

1. Approve the Governor's recommendation to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to 26 weeks, beginning January 1, 2010, for CNI grant recipients who participated in a W-2 employment position for three months prior to receipt of the CNI grant.

a. Provide \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 to fund the extension of CNI grants.

b. Modify the Governor's recommendation to fund the extension of CNI grants with TANF block grant funds, rather than GPR. Provide \$421,600 FED in 2009-10 and \$1,616,800 FED in 2010-11 and reduce funding by \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11.

ALT 1b	Change to Bill Funding
GPR	- \$2,038,400
FED	<u>2,038,400</u>
Total	\$0

2. Modify the Governor's proposal to reduce overall funding by \$96,500 in 2009-10 and \$966,500 in 2010-11 to reflect revised cost estimates. Adjust the funding by:

a. Reduce funding by \$96,500 GPR in 2009-10 and \$966,500 GPR in 2010-11.

ALT 2a	Change to Bill Funding
GPR	- \$1,063,000

b. Reduce funding by \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 and provide \$325,100 FED in 2009-10 and \$650,300 FED in 2010-11.

ALT 2b	Change to Bill Funding
GPR	- \$2,038,400
FED	<u>975,400</u>
Total	- \$1,063,000

3. Modify the Governor's proposal to specify that eligibility for the extended CNI grant would be conditioned upon participation in a W-2 employment position in the three months immediately prior to receipt of the CNI grant. Reduce overall funding by \$401,600 in 2009-10 and \$1,576,700 in 2010-11. Adjust the funding by:

- a. Reduce funding by \$401,600 GPR in 2009-10 and \$1,576,700 GPR in 2010-11.

ALT 3a	Change to Bill Funding
GPR	- \$1,978,300

b. Reduce funding by \$421,600 GPR in 2009-10 and \$1,616,800 GPR in 2010-11 and provide \$20,000 FED in 2009-10 and \$40,100 FED in 2010-11.

ALT 3b	Change to Bill Funding
GPR	- \$2,038,400
FED	<u>60,100</u>
Total	- \$1,978,300

- 4. Delete provision.

ALT 4	Change to Bill Funding
GPR	- \$2,038,400

- 5. In addition to Alternatives 1a, 1b, 2a, 2b, 3a, or 3b:

- a. Adopt the Governor's proposal to make receipt of a caretaker of newborn infant grant count as participation for purposes of time limits, beginning with grants received on January 1, 2010.

- b. Delete the Governor's proposal to make receipt of caretaker of newborn infant grants count as participation for purposes of time limits.

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