

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY

201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>

March 31, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
PO Box 7882
316 South, State Capitol
Madison, WI 53707-7882

The Honorable John Gard, Co-Chair
Joint Committee on Finance
PO Box 8952
315 North, State Capitol
Madison, WI 53708

Dear Co-Chairs Burke and Gard:

Thank you for the opportunity to testify last week on the initiatives related to the Department of Workforce Development in Governor Thompson's 1999-01 Biennial Budget Bill. Each member of the Joint Committee on Finance will soon receive further information from the Department on the issues raised at the agency briefing.

In response to Representative Gard's concern regarding credit establishment and credit repair assistance to W-2 participants, I have enclosed a copy of the letter that was sent to the W-2 agencies in Milwaukee County on March 15, 1999. The letter states that W-2 agencies must submit a plan to the Department by April 1, 1999 if they wish to access the funds available for credit establishment and credit repair services.

Please be assured that the plans submitted will be reviewed by the Department and recommendations on funding will be made to forward to the Committee for review and approval prior to any funds being dispersed.

Thank you for your interest in this matter.

Sincerely,

Linda Stewart, Ph.D.
Secretary

cc: Orlando Canto, Deputy Secretary
Mark Liedl, Executive Assistant
J. Jean Rogers, Administrator, DES

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<http://www.dwd.state.wi.us/>

March 15, 1999

Mr. William Clay
Chief Operating Officer
Opportunities Industrialization Center of Greater Milwaukee
2835 North 32nd Street
Milwaukee, WI 53210

Mr. William S. Martin
Executive Director
Employment Solutions of Milwaukee, Inc.
Milwaukee Job Center North
2800 West Capitol Drive
Milwaukee, WI 53216

Mr. Lupe Martinez
President/CEO
United Migrant Opportunity Services
929 West Mitchell
Milwaukee, WI 53204

Mr. George Leutermann
Vice President
MAXIMUS
1304 S. 70th Street, Mezzanine
West Allis, WI 53214

Ms. Julia Taylor
CEO
YW Works
1915 N. Martin Luther King Drive
Milwaukee, WI 53212

Dear W-2 Agency Director:

1997 Wisconsin Act 318 amended s.49.143(2), Stats., relating to Wisconsin Works (W-2) agency contracts, to require all W-2 agencies to provide, effective January 1, 2001, credit establishment and credit repair assistance to W-2 participants. Milwaukee W-2 agencies may be eligible to receive funding in the current W-2 contract period to provide, or contract with another party to provide, credit establishment and credit repair services above and beyond what is required to be provided in their current W-2 plans. The Department has a total of \$1 million available for distribution.

To access these funds, the W-2 agency must submit a plan by April 1, 1999, to the Department prior to providing, or contracting with another party to provide, these services. The proposed plan must:

- Detail how the assistance provided will exceed credit establishment and credit repair services the agency is currently required to provide under the W-2 agency's current W-2 Plan.

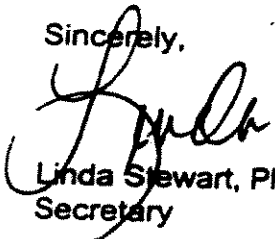
- Indicate whether the agency will be providing the services or will contract out for these services. If contracting out, provide the name of the provider you will be contracting with.
- Include a detailed budget. All costs for services provided must be incurred before December 31, 1999.
- Include assurances that the credit establishment and credit repair services are legal.

Plans must comply with Federal Trade Commission guidelines and the Credit Repair Organization Act (CROA). Refer to the Federal Trade Commission's (FTC) website (<http://www.ftc.gov/>) when developing your plan for consumer related information cautioning against credit repair scams and information regarding the CROA. The CROA is the first federal law specifically targeting credit repair scams. This statute is enforced by the FTC and the state Attorney General to help consumers combat fraudulent credit repair operations.

Please submit a request in writing to Jean Rogers, Administrator, Division of Economic Support, if your agency is interested in applying for these credit establishment and credit repair assistance funds. The Department will notify the W-2 agency if the plan is approved and may be implemented.

Thank you for your interest in this matter.

Sincerely,



Linda Stewart, Ph.D.
Secretary

cc: Orlando Canto, Deputy Secretary
Mark Liedl, Executive Assistant
J. Jean Rogers, Administrator, DES
Palmadge Wilson, Area Administrator

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin
Department of Workforce Development

FYI -
I talked to Laurie about
this. She said this letter
should have gone to the Gov &
he should send a letter to
JFC.
will wait for that.
ctm

state.wi.us

July 28, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

On June 17, 1998, Governor Thompson notified the Joint Committee on Finance, as required by s.16.54(2)(a)2, that the federal government was making available Welfare-to-Work block grant funds for expenditure by the state. This letter is to inform the Joint Committee on Finance of a revision in the plan for the distribution of the Governor's discretionary funds.

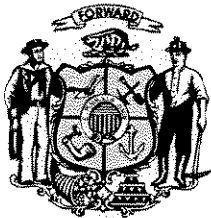
The purpose of the Welfare-to-Work (WtW) program is to provide job retention and employment support services above and beyond those provided by the Wisconsin Works (W-2) program. The federal grant allocated 15% of the funding to be distributed by the Governor for the state costs of administering the program and for discretionary projects. Two agencies that the Governor had originally identified to receive discretionary funding, Marathon County and United Migrant Opportunity Services, recently declined the WtW grants and returned the funds to the State.

The returned discretionary funding, \$150,000, will now go to fund a job placement and post-employment support program to serve non-custodial parents needing addiction recovery counseling services. This Milwaukee-based program will provide pre-enrollment assessment, job skills training, immediate work assignment and evaluation of work skills, job placement and post-employment support services. The employment and training services offered are fully integrated with alcohol and other drug abuse counseling, as well as job and life skills training. The purpose of this program is to help Welfare-to-Work eligible non-custodial parents overcome multiple barriers to employment often faced by those who are struggling with alcohol and drug abuse.

If there are any questions on this issue, please contact Toya Nelson, 266-6881.

Sincerely,

Linda Stewart, Ph.D.
Secretary



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

September 14, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

As you know, both the Senate and the Assembly versions of the 1999-01 biennial budget currently contain a provision that was added by the Joint Committee on Finance under which Temporary Assistance for Needy Families (TANF) funds would be used to reimburse the general fund for certain GPR expenditures made by the Department of Revenue for the Earned Income Tax Credit program in FY99.

I will support this provision if it is included in the final biennial budget that is sent from the Legislature to my office.

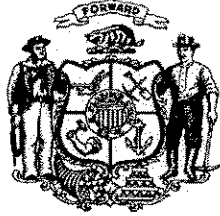
Sincerely,


TOMMY G. THOMPSON
Governor

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: September 29, 1999

Attached is a copy of a letter from the Department of Workforce Development, which provides information on the FFY 1999 Welfare-to-Work block grant funding.

The letter is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
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e-mail: DWDSEC@dwd.state.wi.us

September 24, 1999

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department has received the second year (FFY 1999) of Welfare-to-Work (WtW) block grant funding from the U.S. Department of Labor (DOL). The grant amount is \$12,032,182. This letter is to inform the Joint Committee on Finance of the distribution of WtW grant funds to local Workforce Development Areas (WDAs).

Federal WtW law allocates 85%, or \$10,227,354, of the WtW grant funds to WDAs for the operation of local WtW programs by Workforce Development Boards (WDBs). The local WDBs are responsible for providing the necessary non-federal match for these funds. The state has no authority to reallocate unused funds among WDAs. If an area chose not to accept its WtW funds, those funds must be returned to DOL. The allocations for the 11 WDAs are enclosed.

The remaining 15% or \$1,804,828 of the WtW grant funds are allocated for discretionary projects. The funds can be distributed anytime during the three-year life of the FFY 1999 grant. DWD has not distributed any discretionary WtW funds from the FFY 1999 grant at this time. DWD will submit specific FFY 1999 discretionary grant projects for approval through the s.16.54 process at a later date. Discretionary projects will need to provide the necessary non-federal match and serve the WtW-eligible population in order to receive funding.

Please be aware that it is very difficult for both the Workforce Development Boards and the state to take advantage of these funds. The two primary reasons are:

- The required 50% nonfederal funds match and
- Very restrictive eligibility requirements. Seventy percent (70%) of WtW funds must be used on long term TANF recipients, and no more than 30% on short-term participants.

If there are any questions on the WDA allocations, please contact John Tuohy at 267-4553.

Sincerely,

Linda Stewart, Ph.D.
Secretary

Enclosure – allocation table

SEC-7792-E (R. 05/99)

File Ref:

FFY 1999 Welfare-to-Work WDA Allocations			
Allocations for 85% local formula grants			
WDA	Name	Amount	Percent
1	Southeast	\$555,374	5.43%
2	Milwaukee County	\$6,572,706	64.27%
3	W-O-W *	\$91,074	0.89%
4	Fox Valley	\$130,845	1.28%
5	Bay Area	\$390,063	3.81%
6	North Central Wis	\$418,066	4.09%
7	Northwest	\$434,831	4.25%
8	West Central	\$498,757	4.88%
9	Western Wis	\$435,341	4.26%
10	South Central	\$365,062	3.57%
11	Southwest	\$335,234	3.28%
	State Total	\$10,227,354	100%

* Funding amount is less than \$100,000. DOL regulations require allocations under \$100,000 to be included in the Governor's 15% share. This amount will come from the Governor's discretionary funds to bring the total allocation to WDAs to 85%.

The allocation formula distributes 50% of the funds based on poverty population over 7.5% and 50% based on long-term TANF recipient population. The TANF recipient count includes both W-2 payment and child care subsidy cases included in the 1998 "WtW Outreach" reports distributed to WDAs to identify WtW eligible individuals.

The allocation methodology is the same as the method used for the FFY 1998 WtW funds. The TANF recipient count for the FFY 1998 allocations was based on 1997 AFDC caseload data prior to the implementation of the W-2 program and did not include child care cases.

Data Sources:

Poverty Population and Poverty Rates: Updated from the FY 1998 allocation calculations, based on U.S. Census report "Small Area Income and Poverty Estimates Report," which was released in January of 1998.

County Population: Updated from the FY 1998 allocation calculations, based on a formula using the updated poverty data. This formula was used in the 1998 allocations.

Long-term TANF recipient data: Updated from FY 1998 allocation calculations, based on DES WtW outreach report for period 1-1-98 to 6-30-98.

Tommy G. Thompson
Governor

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February 22, 2000

The Honorable Brian Burke
Co-Chair, Senate Joint Committee on Finance
316 South, State Capitol
Madison, Wisconsin 53702

Dear Senator Burke:

The Department of Workforce Development annual report on the Uninsured Employers Program is being sent to you for informational purposes. This report includes critical indicator data from January 1, 1999 through December 31, 1999. The purpose of this report is to provide you with information relating to the activity and financial condition of the program and the Uninsured Employers Fund.

The Uninsured Employers Program has four major goals:

1. To ensure universal compliance by all subject employers with the worker's compensation insurance requirements.
2. To assess penalties against all illegally uninsured employers in order to ensure compliance with insurance requirements and to reduce the possibility of uninsured claims.
3. To pay uninsured claims from the Uninsured Employers Fund and to provide the benefits to which the injured workers are entitled, but would otherwise not receive.
4. To collect from uninsured employers all penalties and payments for claims paid to their injured employees by the Fund.

Program History

Prior to 1990, prosecution for uninsured employer violations of the Worker's Compensation law was the responsibility of the local District Attorney. Due to workloads, the prosecution of violators received a low priority resulting in little or no enforcement. The lack of enforcement increased the number of violations. Illegally uninsured employers enjoyed an unfair competitive advantage because they avoided what could be a significant additional expense to their cost of labor. When an uninsured injury occurred, the employee's only recourse was to take legal action against the employer. Many small and medium sized employers, who were unable to pay medical and indemnity costs for the injury, would declare bankruptcy. This left the injured worker with no means of compensation. Something needed to be done.

In 1990, major changes occurred in the Worker's Compensation Law that gave the Department significant enforcement powers. Employers who are found to be illegally uninsured are ordered to immediately obtain insurance coverage. Failure to obtain coverage results in the employer having to cease operations until coverage is obtained. Significant monetary penalties are assessed to deter employers from operating without worker's compensation insurance. The penalties collected are deposited in the Uninsured Employers Fund. The Fund pays benefits to the injured employees of illegally uninsured employers. The uninsured employers are held liable for the reimbursement of benefits paid to their injured workers from the Fund.

Education and Outreach Initiatives

The Division of Worker's Compensation continues to make a concerted effort to educate and inform employers of their worker's compensation responsibilities. During 1999, these efforts resulted in over 6,900 employers being brought into compliance with the insurance requirements of the WC Act, the majority, before they were found to be in violation of the law and thereby assessed a penalty. Employers are notified and encouraged to maintain coverage 60 days prior to the expiration of their policy so that a lapse in coverage and the assessment of a penalty will not occur. Informational updates are mailed periodically to employer and labor organizations for publication in their newsletters and other publications. Staff provide information to employers in various forums such as labor law clinics, group requests and others.

Enforcement

The Division of Worker's Compensation continues to expand the use of technology in identifying employers who are operating without worker's compensation insurance. An automated investigation system allows for effective and efficient handling of worker's compensation investigations. The Division is working with the Department of Revenue and the Division of Unemployment Insurance, the Wisconsin Compensation Rating Bureau and other agencies to identify employers who are operating in violation of the law. During 1999, over 37,000 employer investigations were completed with 1,450 employers assessed penalties for operating without insurance. These enforcement actions resulted in new insurance coverage for approximately 41,000 employees. Fourteen employers who refused to obtain worker's compensation insurance were referred to the Department of Justice for closure actions.

Penalty Collection

Collection of penalties from employers continues to be difficult and requires significant effort. Two of the most effective methods of collecting penalties are the use of warrants and levies. In order to make the most effective and efficient use of these collection tools the Division has automated the filing and tracking of warrants with all seventy-two counties.

Payment of Benefits

On July 1, 1996, the Division began accepting claims and paying benefits to employees injured while working for uninsured employers. As of December 31, 1999, 222 claims have been filed. The Division contracted with Gallagher & Bassett to be the third party administrator for all injury claims filed against the Fund. Their responsibilities include the investigation, monitoring, processing, establishing reserves and recommending the approval or denial of all claims filed against the Uninsured Employers Fund. The Division also purchased an excess insurance policy that pays catastrophic claim costs that exceed \$250,000. The excess insurance policy prevents a number of catastrophic claims from quickly depleting the Fund. The Division has also contracted with Millman & Robertson, Inc. to provide actuarial services to the Fund.

UEF Program Critical Indicators

UEF Critical Indicator 1

UEF Statement of Income and Expenses

- Indicates for the period of January 1, 1999 through December 31, 1999, that the UEF balance of income over expenses was a net \$131,596.

UEF Balance Sheet

- Indicates at the end of December 31, 1999, the UEF had a net balance of \$8.1 million.

UEF Statement of Cash Flow

- Indicates that during the period of January 1, 1999 through December 31, 1999, the UEF grew by \$980,734.

UEF Critical Indicator 2

Monthly Investigation & Invoice Totals

- Indicates the number of new penalty invoices processed have held steady at approximately 120 per month.

UEF Critical Indicator 3

UEF Claims Filed By Month

- Indicates the number of UEF injury claims filed has held steady with some fluctuation.

UEF Critical Indicator 4

UEF Monthly Claims & Case Reserve Dollars Incurred

- Indicates the reserve dollars required to settle all open UEF claims is increasing at about the same rate as open claims with moderate fluctuation.

UEF Critical Indicator 5

UEF Cash Balance

- Indicates the UEF cash balance continues to grow as penalty collections continue to exceed benefit payments.

UEF Critical Indicator 6

UEF Outstanding Loss Reserve & IBNR Claims and Net Assets

- Indicates the UEF ultimate liability of settling all outstanding claims and IBNR (incurred but not reported) claims has gradually grown at the same rate as new open claims.
- IBNR is a conservative calculation of UEF IBNR claims based on 1999 historical data.
- Indicates the UEF cash balance (see indicator 5) continues to grow as penalty collections exceed the rate of benefit payments.

Quick and effective enforcement processes continue to keep in check the number of employers operating without worker's compensation insurance. More than \$8.1 million is in the Uninsured Employers Fund. The Uninsured Employers Program is currently developing an automated levy system. This new collection tool will enable the Fund to significantly improve its ability to collect delinquent penalty and injury reimbursement assessments.

There have been some major claims paid by the Fund. However, there are security provisions in place to control costs and keep the impact on the Fund to a minimum. Should the Fund be subject to significant losses, checks are in place to give the Department Secretary advance notice to take appropriate actions.

The Uninsured Employer Program is providing the enforcement and meeting its claim obligations intended by the law. As of December 31, 1999, the financial condition of the Fund is good.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Linda Stewart".

Linda Stewart, Ph.D.
Secretary

Critical Indicator 1

UNINSURED EMPLOYER FUND STATEMENT OF INCOME AND EXPENSES
JANUARY 1, 1999 TO DECEMBER 31, 1999

INCOME

INTEREST EARNED	\$373,033	
PENALTY COLLECTIONS	\$1,272,265	
EMPLOYER REIMBURSEMENT COLLECTIONS	\$79,096	
TOTAL INCOME		\$1,724,393

EXPENSE

EXCESS INSURANCE	\$212,597	
CLAIMS INCURRED	\$1,497,813	
LESS: CLAIMS INCURRED COVERED BY EXCESS INSURANCE	\$117,613	
TOTAL EXPENSE		<u>\$1,592,797</u>
EXCESS INCOME OVER EXPENSE		\$131,596

UNINSURED EMPLOYER FUND BALANCE SHEET
AS OF DECEMBER 31, 1999

ASSETS

CASH	\$8,137,614	
PREPAID INSURANCE	\$101,188	
TOTAL ASSETS		\$8,238,801

LIABILITIES

INCURRED BUT NOT REPORTED CLAIMS	\$1,140,126	
RESERVE FOR CLAIMS	\$1,743,358	
LESS: RESERVE COVERED BY EXCESS INSURANCE	\$117,613	
TOTAL LIABILITIES		<u>\$2,765,871</u>

FUND EQUITY

\$5,355,318

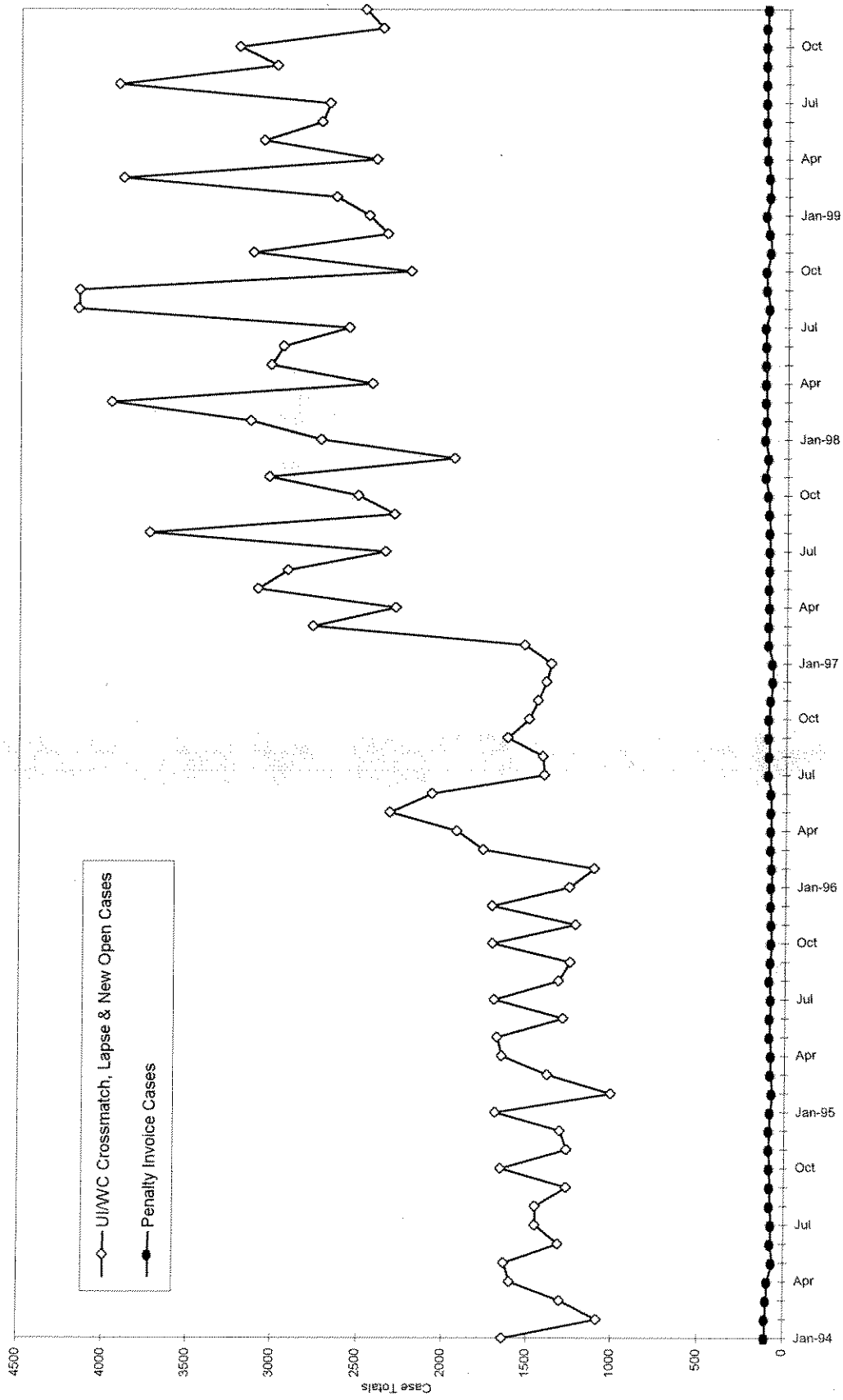
PERCENTAGE OF TOTAL FUND ASSETS ENCUMBERED

33.57%

UNINSURED EMPLOYERS FUND STATEMENT OF CASH FLOW
JANUARY 1, 1999 TO DECEMBER 31, 1999

FUND BEGINNING BALANCE		\$7,156,880
INTEREST EARNED	\$373,033	
YEARLY PENALTY COLLECTIONS	\$1,272,265	
YEARLY EMPLOYER REIMBURSEMENT COLLECTIONS	\$79,096	
FUND CREDIT	\$3,121	
CASH CLAIM PAYMENTS MADE	(\$534,183)	
EXCESS INSURANCE PREMIUM PAID	(\$212,597)	
FUND ENDING BALANCE		\$8,137,614

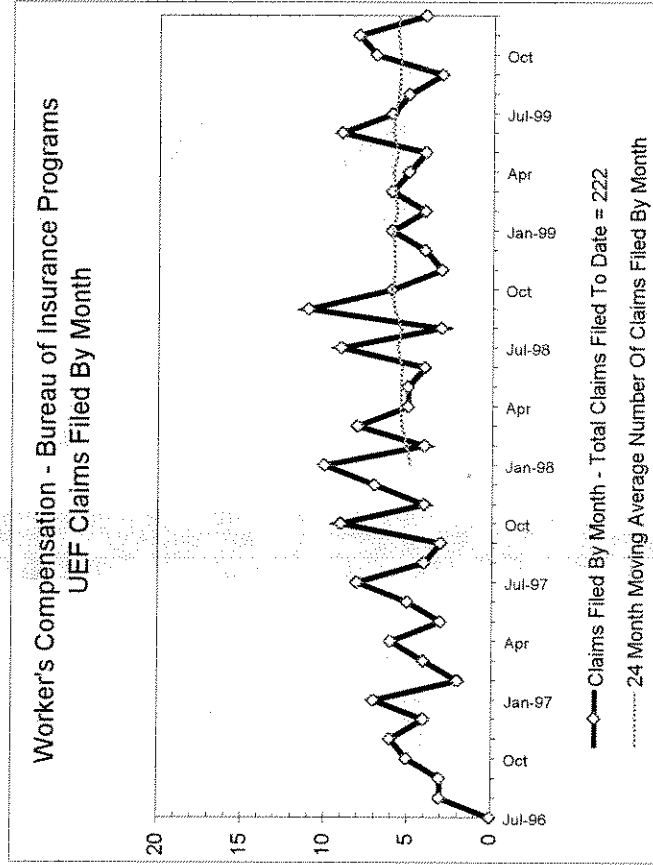
Worker's Compensation Division - Bureau of Insurance Programs UEF Monthly Investigation & Invoice Totals



Critical Indicator 3

Worker's Compensation Division - Bureau of Insurance Programs

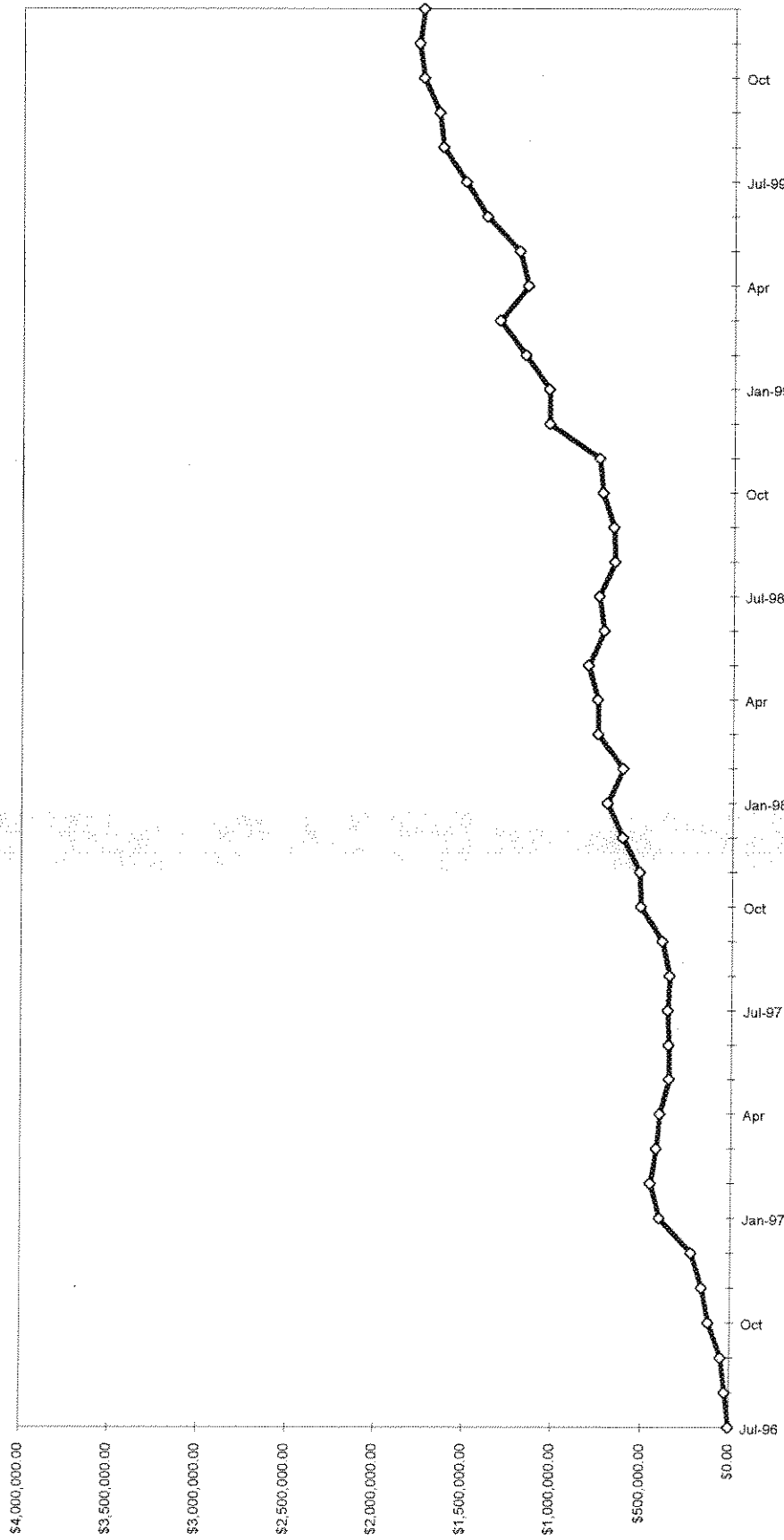
UEF Claims Filed By Month



Critical Indicator 4

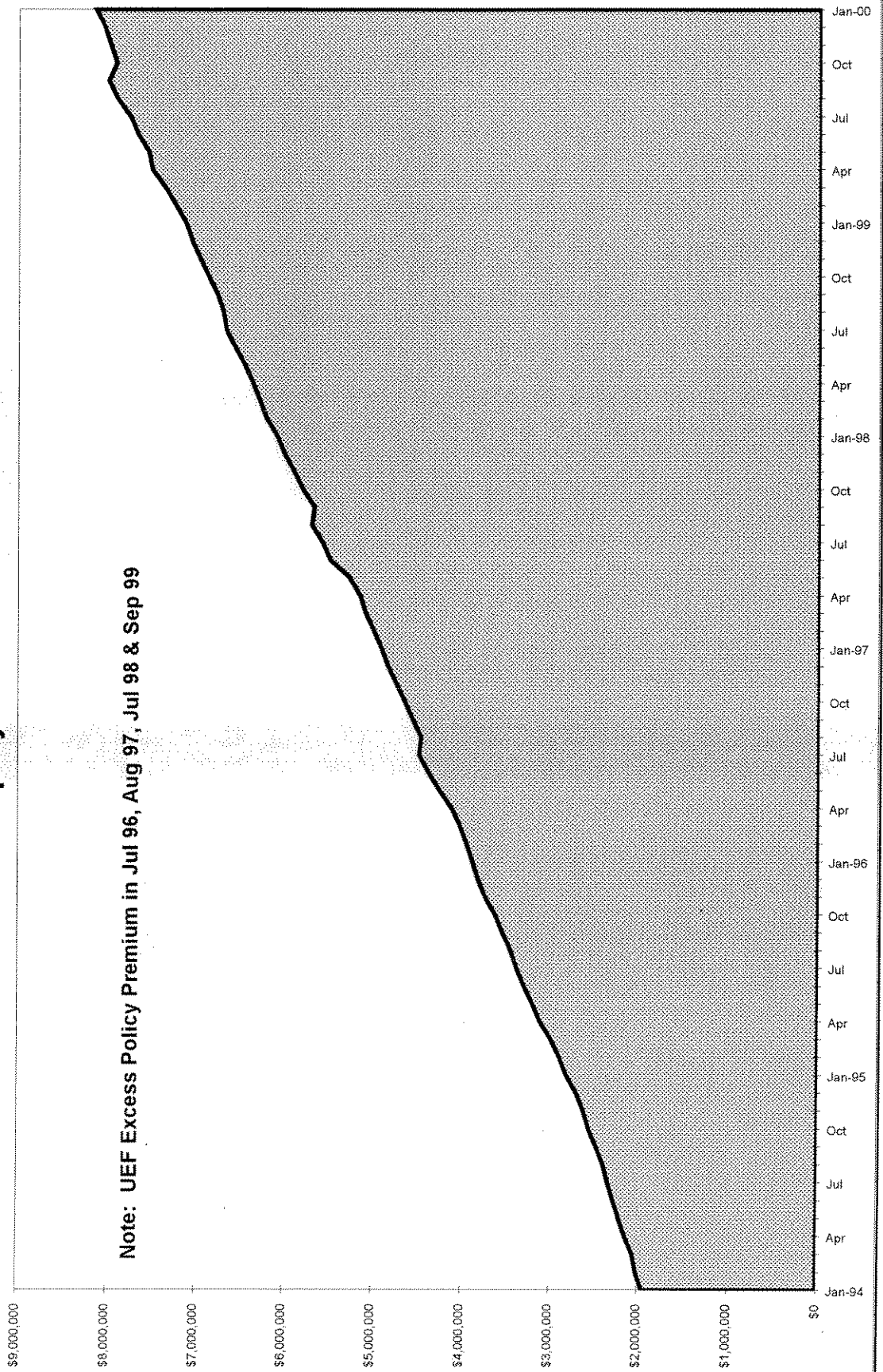
Worker's Compensation Division - Bureau of Insurance Programs

UEF Case Reserves To Date



Worker's Compensation Division - Bureau of Insurance Programs Uninsured Employers Fund Cash Balance

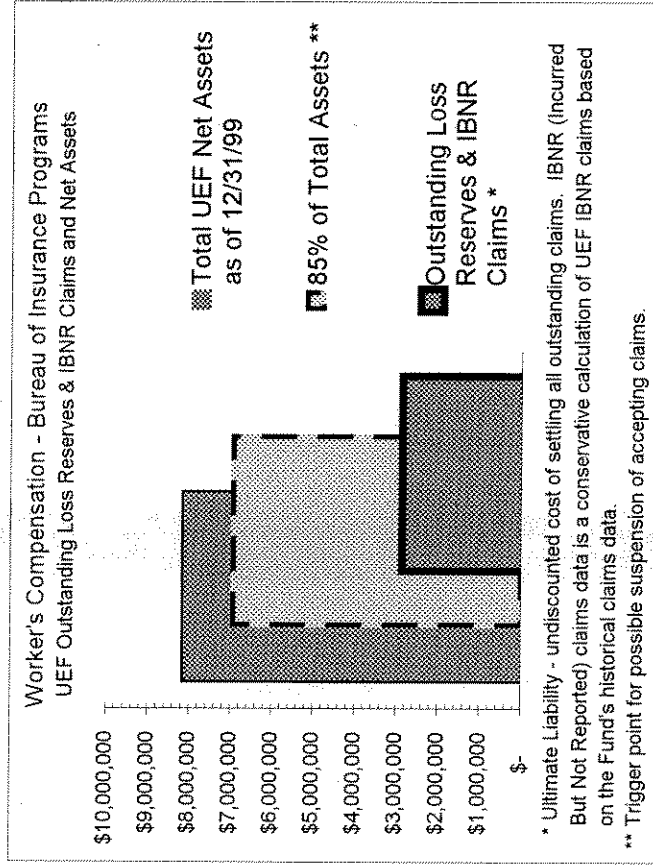
Note: UEF Excess Policy Premium in Jul 96, Aug 97, Jul 98 & Sep 99



Critical Indicator 6

Worker's Compensation Division - Bureau of Insurance Programs

UEF Outstanding Loss Reserves, IBNR Claims and Net Assets



Note: IBNR (Incurred But Not Reported) claims data is a conservative calculation based on 1999 historical data.

Tommy G. Thompson
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Department of Workforce Development

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e-mail: DWDSEC@dwd.state.wi.us

February 29, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Workforce Development is submitting the report required by Joint Finance Motion 5010 adopted at the December 21, 1999 13.10 meeting for the Workforce Attachment and Advancement (WAA) program. This motion was adopted along with release of the \$19.7 million of federal TANF funds provided in the 1999-2001 budget bill, 1999 Wis. Act 9, for implementation of the WAA program.

The motion directed DWD to develop a methodology to measure the impact of WAA program services on the earnings of participants in the program. This includes comparing earnings following program participation with annual earnings prior to participation, comparing earnings with the federal poverty threshold and evaluating the effectiveness of the WAA program in increasing participant earnings above the poverty threshold.

Attached is a paper that analyzes the data sources that can be used to measure the effect of WAA services on earnings and how the data will be used for measurement purposes. DWD will use the following approach:

- Unemployment Insurance (UI) wage record information supplied by employers will be used to measure the long-term impact on earnings, including the pre-program and post-program comparisons. The poverty threshold comparisons will be done using family size information collected through the WAA participant eligibility determination process.
- WAA participants will be tracked using the Client Assistance for Reemployment and Economic Support (CARES) system. Changes in employment are recorded in CARES and case managers do six-month follow-ups. The follow-up data will be used to measure the short-term impact on earnings until the long-term UI wage record data is available.
- Other income information in the CARES system, to the extent available for WAA participants, will be used to supplement the UI wage record and CARES follow-up data. Persons who receive other services such as Food Stamps, Medicaid and Child Care will have other records in the CARES system that may provide income information for the earnings analysis.

February 29, 2000

Page 2

As explained in the attached paper, significant IT programming work is necessary to make the CARES screens for tracking WAA program participants available for local agency staff use. Reports will need to be developed to use the data from the new screens. The cost of the CARES and report work is estimated at approximately \$600,000 of contractor and DWD staff resources. There are many competing demands on DWD IT resources, so time frames for the WAA IT work may need to be adjusted due to other priority CARES projects. One priority that must be completed prior to the WAA CARES work is Family Care. Other CARES projects will have to be deferred to devote existing funding, contractor and DWD staff resources to work on the WAA screens and reports.

Motion 5010 directed DWD to produce a report on the impact of the WAA program on participant earnings by March 1, 2001. Participant outcome tracking will not start until the CARES screens are available approximately late summer or early fall of 2000. In addition, due to lag times inherent in the data sources, no post-program UI wage data and six-month follow-up data will be available by March 1, 2001 to perform a detailed analysis on earnings. With CARES programming necessary and the limitations of the data sources, the March 1, 2001 date will be too soon to effectively measure the impact of the WAA program on participant earnings. DWD will produce a report by the March 1, 2001 date describing employment outcomes from the first year (CY 2000) of WAA program operation. DWD will subsequently produce an earnings report as the earnings data becomes available for analysis and IT resources permit the report work to be completed.

If there are any questions on the earnings measurement methodology in the attached paper, please contact John Tuohy in the Division of Workforce Excellence at 267-4553 or email tuohyjo@dwd.state.wi.us.

Sincerely,



Linda Stewart, Ph.D.
Secretary

Attachments (2):

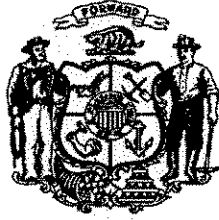
Paper on earnings measurement methodology
Motion 5010 from 12/99 13.10 meeting

cc: Eric Baker, DWE
Kimberly Markham, SO
Thomas Smith, ASD Budget Director
John Tuohy, DWE
Jan VanVleck, DES
Robert Blaine, DOA Budget Office
Joanne Simpson, Legis. Fiscal Bureau

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: March 3, 2000

Re: DWD Report on Workforce Attachment and Advancement
Program

Attached is a copy of a report from the Department of Workforce Development, as required by Motion 5010 adopted at the December 21, 1999 meeting of the Joint Finance Committee under s. 13.10, Stats.

It provides information on the data sources that can be used to measure the effect of Workforce Attachment and Advancement services on earnings and how the data will be used for measurement purposes.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>
e-mail: DWDSEC@dwd.state.wi.us

February 29, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Workforce Development is submitting the report required by Joint Finance Motion 5010 adopted at the December 21, 1999 13.10 meeting for the Workforce Attachment and Advancement (WAA) program. This motion was adopted along with release of the \$19.7 million of federal TANF funds provided in the 1999-2001 budget bill, 1999 Wis. Act 9, for implementation of the WAA program.

The motion directed DWD to develop a methodology to measure the impact of WAA program services on the earnings of participants in the program. This includes comparing earnings following program participation with annual earnings prior to participation, comparing earnings with the federal poverty threshold and evaluating the effectiveness of the WAA program in increasing participant earnings above the poverty threshold.

Attached is a paper that analyzes the data sources that can be used to measure the effect of WAA services on earnings and how the data will be used for measurement purposes. DWD will use the following approach:

- Unemployment Insurance (UI) wage record information supplied by employers will be used to measure the long-term impact on earnings, including the pre-program and post-program comparisons. The poverty threshold comparisons will be done using family size information collected through the WAA participant eligibility determination process.
- WAA participants will be tracked using the Client Assistance for Reemployment and Economic Support (CARES) system. Changes in employment are recorded in CARES and case managers do six-month follow-ups. The follow-up data will be used to measure the short-term impact on earnings until the long-term UI wage record data is available.
- Other income information in the CARES system, to the extent available for WAA participants, will be used to supplement the UI wage record and CARES follow-up data. Persons who receive other services such as Food Stamps, Medicaid and Child Care will have other records in the CARES system that may provide income information for the earnings analysis.

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As explained in the attached paper, significant IT programming work is necessary to make the CARES screens for tracking WAA program participants available for local agency staff use. Reports will need to be developed to use the data from the new screens. The cost of the CARES and report work is estimated at approximately \$600,000 of contractor and DWD staff resources. There are many competing demands on DWD IT resources, so time frames for the WAA IT work may need to be adjusted due to other priority CARES projects. One priority that must be completed prior to the WAA CARES work is Family Care. Other CARES projects will have to be deferred to devote existing funding, contractor and DWD staff resources to work on the WAA screens and reports.

Motion 5010 directed DWD to produce a report on the impact of the WAA program on participant earnings by March 1, 2001. Participant outcome tracking will not start until the CARES screens are available approximately late summer or early fall of 2000. In addition, due to lag times inherent in the data sources, no post-program UI wage data and six-month follow-up data will be available by March 1, 2001 to perform a detailed analysis on earnings. With CARES programming necessary and the limitations of the data sources, the March 1, 2001 date will be too soon to effectively measure the impact of the WAA program on participant earnings. DWD will produce a report by the March 1, 2001 date describing employment outcomes from the first year (CY 2000) of WAA program operation. DWD will subsequently produce an earnings report as the earnings data becomes available for analysis and IT resources permit the report work to be completed.

If there are any questions on the earnings measurement methodology in the attached paper, please contact John Tuohy in the Division of Workforce Excellence at 267-4553 or email tuohyjo@dwd.state.wi.us.

Sincerely,



Linda Stewart, Ph.D.
Secretary

Attachments (2):

Paper on earnings measurement methodology
Motion 5010 from 12/99 13.10 meeting

cc: Eric Baker, DWE
Kimberly Markham, SO
Thomas Smith, ASD Budget Director
John Tuohy, DWE
Jan VanVleck, DES
Robert Blaine, DOA Budget Office
Joanne Simpson, Legis. Fiscal Bureau

February 29, 2000

Workforce Attachment and Advancement (WAA) Program Measuring Impact of WAA Services on Earnings of Program Participants

Introduction

The Workforce Attachment and Advancement (WAA) program was created by 1999 Wis. Act 9 (1999-2001 budget bill) to provide employment and training services to low-income workers to help persons remain attached to the workforce and advanced from entry-level to higher levels of employment. By providing services to promote job retention and training to assist workers become more skilled, the WAA program will result in more stable employment, advancement to more skilled employment, and increased earnings for program participants.

Act 9 established four performance standards for the WAA program. These standards will be used to set WAA program performance objectives for Workforce Development Boards (WDBs) and Wisconsin Works (W-2) agencies, and to monitor the program outcomes achieved by agencies.

Three of the standards apply to all WAA program participants:

- Employment placement - Placement of program participants into new or advanced employment.
- Job retention - Continued attachment of participants to the workforce, although not necessarily at the same job.
- Increases in earnings - Increased earnings of program participants as compared with their earnings at time of program entry.

The fourth standard applies only to non custodial parent (NCP) participants:

- Increased child support collections - Program participation will lead to increased earnings, which will generate increased child support payments.

In December 1999, the Joint Committee on Finance authorized the release of the funding for the WAA program to begin program operations. As part of that approval, additional direction was provided on the performance measures and the Department of Workforce Development (DWD) is required by Joint Finance Motion 5010 to do the following with respect to the increased earnings performance measure:

- Develop a methodology to report the annual earnings of persons receiving WAA program services, including a comparison of their earnings with their earnings in the year prior to participating in the WAA program.
- Compare their earnings with the federal poverty threshold to determine the extent that earnings exceed the poverty threshold.
- Evaluate the effectiveness of local WAA programs in improving the earnings of WAA program participants, including increasing earnings above the poverty threshold.

- DWD is required to submit a report on the methodology to the Joint Committee on Finance by March 1, 2000. In addition, DWD is to submit a report by March 1, 2001 with information on WAA program performance.

This report provides a description of the methodology that will be used to measure the effect of the WAA program on the earnings of participants. The report also describes the potential data on WAA program performance that will be available by March 1, 2001.

Background of WAA Program

The WAA program is administered by the DWD as a joint project between the Divisions of Workforce Excellence and Economic Support. The WAA program is funded with Temporary Assistance for Needy Families (TANF) funds and Act 9 provided \$19.7 million of TANF funds for a two-year period through December 2001. Any continuation of the program beyond that point will require reauthorization and additional funding.

To comply with federal TANF requirements, WAA services are limited to parents of low-income families and low-income NCPs. Eligibility for WAA services is determined using the state TANF income limit of 200% of the federal poverty threshold. The eligibility for NCPs will be determined based on a family size of one and child support payments made by the NCP will be subtracted in determining the NCP's net income amount for WAA eligibility. The following table shows the poverty and WAA eligibility figures, based on calendar year (CY) 1999 federal poverty thresholds. Updated poverty figures will be issued by the federal government early in CY 2000.

Calendar 1999 Federal Poverty Levels

Family Size	100% Poverty	200% Poverty	WAA Program
1	\$8,240	\$16,480	\$16,480
2	\$11,060	\$22,120	\$22,120
3	\$13,880	\$27,760	\$27,760
4	\$16,700	\$33,400	\$33,400
5	\$19,250	\$39,040	\$39,040
6	\$22,340	\$44,680	\$44,680
7	\$25,160	\$50,320	\$50,320
8	\$27,980	\$55,960	\$55,960

All WAA funds are allocated to local agencies which manage WAA program operations, with one-half of the funds allocated to WDBs and the other half allocated to W-2 agencies. The WDBs and W-2 agencies work cooperatively at the local level to operate an integrated WAA program. Agencies can provide a broad range of services, including training, job retention services, job readiness and placement, basic skills development, and services to employers. Local plans were submitted to DWD in January 2000 and most agencies will begin WAA program operations in February or March of 2000.

Participant Data System

Data on the participants in the WAA program will be collected using the Client Assistance for Reemployment and Economic Support (CARES) system, which is used for participant tracking and case management for the W-2, Food Stamp Employment and Training (FSET) and other programs. More specifically, participants will be tracked in CARES using the Work Programs subsystem, similar to how the Children First and Welfare-to-Work programs are currently tracked in CARES.

Persons who participate in *only group* WAA services, such as brief workshops on job seeking strategies, will not be tracked in CARES. To receive *individualized* WAA services, such as training and job retention services, persons must meet TANF eligibility requirements. CARES will not be used to determine TANF eligibility for the WAA program, only for participant tracking and case management purposes. TANF eligibility will be determined "off-line" in a relatively simple process, collecting a current income figure and verifying the status of persons as parents. Once determined eligible, participants will be tracked in the CARES system and will have an individual service plan. TANF eligibility for participants will be reviewed every 6 months.

Additional CARES screens will be necessary to track WAA program participants and record the services received. Programming work will begin in March 2000 with the development of screen design requirements and involving local agency staff in the design process. Construction and testing of the screens will take several months. It is anticipated that the screens will be available for local staff use by the late summer or early fall of 2000. Local agencies will enter their WAA cases enrolled in the program prior to that point. There is limited ability to back-date entries in CARES, so participant outcomes will be tracked only from that point forward.

Other IT work will be necessary to make reports with WAA participant data available for program management and performance measurement purposes. The report design work can begin while the CARES screens are in development, but the CARES screens must be completed before the reports can be finalized. It is anticipated that program management reports and some program performance reports will be available by the fall of 2000. Additional IT work will be necessary for some performance measurement reports, including earnings reports which will use additional data not captured on the new CARES screens for the WAA program.

The CARES screens and reports for WAA will utilize existing CARES design and report structure as much as possible. Even so, the WAA IT work will require significant amounts of resources for designing, programming, and testing the screens and reports. The CARES screens are estimated to require 88 person weeks (1.0 FTE of staff time for a week = person week) of CARES contractor staff time and 53 weeks of DWD staff time at a cost of approximately \$350,000. The reports are estimated to require 50 person weeks of CARES contractor staff and 79 person weeks of DWD staff time at a cost of approximately \$250,000. Combined, the WAA IT work will amount to over \$600,000 of staff resources. DWD will also have to provide additional CARES training for local agency staff to educate staff in proper use of the new screens.

While DWD will pursue the CARES screens and reports using existing contractor and DWD staff resources, there are many competing demands on IT budgets and staff resources for the CARES system and CARES-related reports. Completing the WAA IT work in CY 2000 will require that other important CARES projects be deferred for several months. Work on WAA reports will be scheduled to coincide with the development of similar reports for W-2 and other programs to minimize the additional IT work necessary for the WAA reports. The timeframes for completing the WAA reports will be flexible to manage the work within the existing IT resources available and adjust for other priority CARES projects. Other priorities for CARES system work may result in delays in implementing the WAA CARES screens and reports. One priority is the Family Care initiative, which will need to be completed before the WAA CARES screens can be put into production for local staff use.

The use of the CARES system will allow DWD to take advantage of participant measurement methods being developed for federal TANF reporting purposes. Detailed federal TANF reporting for the WAA program is not required because WAA is not a financial assistance program. The methods used to report on TANF financial assistance recipients, however, may be useful for the WAA program. In addition to participant reporting, agencies receiving WAA funds will need to report on other aspects of WAA program operations, and this reporting will be done through other methods.

WAA Program Enrollment

Participation in the WAA program is voluntary. Once enrolled in the program, there are no minimum participation requirements in order to continue to receive services. However, other cooperating programs such as Children First may require such participation as part of their programs. Referrals to the WAA program will come from the statewide system of One-Stop Job Centers, other employment and training service providers, and requests from employers for assistance with current employees.

The emphasis of WAA programs services to an individual are to retain employment, acquire additional skills and develop personal career paths that lead to higher levels and more secure employment. Placement services may also be needed to assist the individual in advancing in employment. The WAA program can provide a broad array of services, but the program cannot provide any financial assistance payments to persons for living expenses. Persons needing financial assistance are served under the W-2 program. Persons who previously participated in the W-2, FSET or other programs can receive WAA services to assist with long-term job retention and advancement. Former W-2 and FSET participants are a priority for service under the WAA program.

Persons will generally exit the WAA program when they complete their individual service plans and need no further services. WAA cases will also be closed if persons cease to participate in WAA services for more than 90 days or if they cease to meet TANF eligibility requirements for the program. Eligibility will be reviewed at six-month increments. Persons can receive additional WAA services at any time, so case closure will not adversely affect the eligibility of persons for future WAA services.

Due to the flexible approach for program entrance and exit, persons could have multiple service "episodes" under the WAA program. For persons with multiple service episodes, the same personal identification number (PIN) is used in CARES for each episode. PIN numbers will be used to determine the number of individual persons served and measure program results.

Methodology for Measuring Effect on Earnings

A number of outcomes are possible for WAA program participants. Persons could enter the program employed and be assisted with job retention and advancement. Persons could enter the program underemployed and be assisted in finding advanced employment. Persons could also enter the program unemployed and be assisted in obtaining employment and subsequently receive assistance with job retention and advancement. Thus, the changes in earnings compared with the period prior to program entry could vary significantly among participants, from slight increases to substantial increases. The timing of the impacts could vary significantly as well, from substantial short-term impacts for unemployed persons to steadily increasing long-term impacts for persons who received training to improve their skills.

The following are some of the possible data sources that can be used to collect the information necessary to analyze the impact of the WAA program on earnings:

- Program eligibility data. Data on income and family size will be collected through the eligibility determination process and entered into CARES. The income figure will be used for eligibility purposes and will reflect income at the time of program enrollment.

The eligibility data will be updated on a six-month basis. Eligibility data will generally be for the time of program entry, with updated information for those persons who participate in WAA for more than six months.

The eligibility data on income, while computed as an annualized figure, will be a current, point-in-time figure. Other than at six-month reviews, it will not be feasible to collect comparable figures from WAA participants on an ongoing basis. However, this WAA eligibility information will serve as a useful frame of reference for other earnings information and may be used when other data is not available.

- Unemployment Insurance wage records. The UI wage record system contains very comprehensive data on earnings of individuals as reported by their employers. Wage information is generally reported on a quarterly basis. Data on individuals is available for past quarters, prior to WAA program enrollment, and for future quarters, following participation in the program. Cross-matches can be done between the CARES and UI systems to generate a data set of the UI reported earnings for WAA program participants. An advantage to UI data is that DWD already does cross-match between CARES and UI for other purposes, and UI wage data matches are required for other program purposes, such as the Title 1 training program under the federal Workforce Investment Act (WIA).

There are limitations on the UI wage data. UI data is not available for self-employed persons, persons who work outside of Wisconsin (e.g. work in Illinois, Iowa, etc), certain types of employers such as federal employees (i.e. UI noncovered employment), and some types of occupations. Thus, while UI wage data will be available for the majority of WAA program participants, there will be some persons missing from the UI wage records. The extent of missing records could vary from one area of the state to another. Another limitation is that the UI wage data is for total earnings in a quarter, which does not translate into an hourly wage figure, number of hours worked or length of employment.

The UI wage data is also limited in terms of timeliness. A lag of six months or more occurs before the UI data is available. For example, information for the 4th quarter of CY 1999 is generally reported by employers in February 2000 and the data must be processed for UI purposes. The 4th quarter 1999 wage data will not be available for data analysis until the 2nd quarter of CY 2000, and there is a significant amount of later reporting by employers. Experience with AFDC leavers studies shows that the wage record data for a period will change over subsequent quarters. To ensure the data in the UI system is ready for cross-match with CARES, the cross-match for the 4th quarter 1999 wages would not take place until the 3rd quarter of CY 2000.

Other program data in CARES. Many WAA program participants may have a record in the CARES system for other program purposes -- W-2, Food Stamps, Medicaid, Child Care -- for which there will generally be income and family size information. This income and family size data is collected only while the persons are receiving benefits, and thus the data may not be current and will be incomplete over time. Other WAA participants, including most NCPs, will not have other program records in CARES. The limited population for which data is collected and the likelihood of missing data in some time periods will limit the utility of this data for overall analysis of the WAA program.

The other program data may have some potential for measuring earnings of a subset of all WAA program participants, particularly those persons who previously participated in the W-2 program. The data could be used for the WAA program in the same way it is used to measure changes in earnings for federal TANF reporting. The data may also be useful in analyzing earnings results for persons not included in the UI wage records.

Depending on the program and personal circumstances, the number of children in the family group may vary from the family size reported for WAA eligibility. For example, only some of the children in a family might be receiving Medicaid while others are not. Thus, the family size figure recorded in the WAA program eligibility process will be used for poverty threshold analysis.

- Six-month follow-up results. When an employment change occurs for persons in the WAA program, case managers will record an "entered employment" in CARES. Tracking employment changes is a standard CARES procedure for case managers. This entered employment data will be used to measure employment results for the WAA employment placement performance standard. While persons can have multiple entered employments during their participation in the WAA program, only

the first entered employment will be used for WAA performance measurement purposes. Use of the first entered employment for performance measurement purposes was directed by Joint Finance motion 2059 from the December 1999 13.10 meeting.

The entered employment in CARES generates a 30-day and six-month follow-up prompt to the case manager to check with the person. Case managers collect earnings information in the form of a wage figure. The six-month follow-up records the change in wages compared with the time the person entered the employment. This six-month follow-up data is used for W-2 and FSET program performance measurement, and reports used for these programs could be adapted for the WAA program. While the six-month follow-up data provides only point-in-time wage figures, it may be a useful source of information about the short-term impact of the WAA program on earnings.

Limitations of the six-month follow-up data include the fact that some WAA participants may exit the program before they have an employment change that meets the definition of entered employment. Also, if persons are co-enrolled in more than one program in CARES, it is difficult to which program the entered employment should be attributed to.

- Tax return information. State tax returns filed with the Department of Revenue (DOR) are another possible source of information about earnings of participants in the WAA program. DWD will need an updated agreement with DOR to access tax return information. In addition, the participants in the WAA program may need to sign a release of information authorization in order for DOR to share their tax data with DWD. DWD will explore the access issue with DOR.

There are limitations on tax return data for measuring the impact of WAA or other programs on earnings. Many low-income persons are not required to file a tax return. Depending on the person's income sources, the detailed components of income may be listed only on the federal tax return and not on the state return. There is also a time lag with tax return data – for example, tax return data for CY 1999 would not be available until mid-2000 or later.

- Participant surveys. Surveys, either by mail or telephone, could be used to ask participants about their earnings following their exit from the WAA program. Surveys have an advantage because they provide an opportunity to ask questions about other aspects of their employment situation. The disadvantage to surveys is that they are very expensive to conduct. In addition, there is a declining response rate over time as it is difficult to remain in contact with the former program participants. Finally, survey data provides only point-in-time figures on earnings, so a survey would not be a useful tool to measure long-term effects on earnings.

Recommendation on Methodology

With a wide variation of outcomes possible for WAA program participants, DWD will use both short-term and long-term measures for the effect of the WAA program on participant earnings. The following approach will be used:

- UI wage record data will be used to create a longitudinal data base on WAA participants that provides earnings data for the four quarters prior to the quarter in which the person enrolled in the WAA program plus subsequent quarters. The average of the four prior quarters will be used as the base earnings amount and will be compared with the subsequent quarters to determine the change. The UI data will be the primary method of measuring change in earnings.

Motion 5010 directs that the four-quarter base period for measuring earnings be prior to enrollment in the WAA program. Since UI wage data is collected on a quarterly basis, enrollment in the WAA program could occur at any point in a quarter. For the pre-program measurement of earnings, the base period will be the four quarters prior to the quarter of enrollment in the WAA program. The measurement of subsequent earnings will start with the quarter after the quarter of program enrollment. Results will be collected for as many quarters as necessary to provide an annual earnings figure for comparison with the base period. Participant events such as entered employments and exit from the program may be used to interpret the earnings results. For example, if a person enrolls in May 2000, the base period is the four quarters from April 1999 through March 2000, April - June 2000 is the quarter of enrollment, and earnings will be measured starting with the July - September 2000 quarter.

- The six-month follow-up data from entered employments in CARES will be used as a source of data on short-term impacts on earnings. For the six-month follow-up data, some WAA participants may exit the program before they have an entered employment or remain in the same job. In these instances CARES does not generate the six-month follow-up prompt, so the follow-up data will not be complete for all WAA participants. For those participants with follow-ups, the information will be compared with the change over the six-month period as well as with income figure from the eligibility data to show the change from the point of program enrollment. The entered employment data may also be used to interpret the results of the UI wage data analysis.
- For persons with other program information in CARES, the other program income information will be used to supplement the UI and 6-month follow-up data. The other program income information may be used as a check on those measures or to fill in gaps in those measures.

Availability of performance data

Motion 5010 requires DWD to issue a report on the impacts of the WAA program on participant earnings to the Joint Committee on Finance by March 1, 2000. To meet this deadline, the report would have to be prepared based on data available in February 2001. This would reflect program outcomes through December 1999 or potentially January 2001, depending on the nature of the outcome and report cycle.

CARES

DWD is making the modifications necessary to the CARES system to use CARES for WAA participant tracking and case management. Programming efforts will concentrate on making CARES screens available for local agency staff to begin entering cases by the late summer or early fall of 2000. Agencies will need to enter the backlog of persons who began participating in WAA prior to the availability of CARES screen, backdating the information as necessary. Barring unforeseen problems, the WAA caseload should be fully entered into CARES by late fall 2000.

Following the completion of the CARES screens, work will begin on the program management and performance reports for the WAA program. Local agencies will use program management reports to manage their WAA caseload. Performance reports will be done for each of the four WAA performance standards.

The WAA six-month follow-up report will be developed based on similar reports in use for the W-2 and FSET programs and will be ready by late in CY 2000. However, since WAA cases will not be entered in the CARES system until the fall of 2000 (even if enrolled in the program earlier), it is unlikely that there will be a significant number of six-month follow-ups recorded by early in CY 2001. Entered employments cannot be backdated in CARES, so if the CARES screens are available by fall 2000 the first six-month follow-ups on entered employments attributable to the WAA program will not occur until spring 2001. The six-month follow-up data will likely not provide a useful analytical tool until mid-CY 2001 or later.

UI Wage Records

While UI wage record cross-matches are already done with CARES for other purposes, the specific cross-match for WAA will need to be developed along with creating a data file for the results of the cross-match. The data file is needed to allow the UI wage data to be manipulated along with the WAA participant data from CARES. The timing of the first cross-match will depend on when the new data file is ready.

Enrollment of persons in the WAA program will begin in March 2000 with CARES screens ready by late summer or early fall of 2000. The full WAA caseload should be entered into CARES by fall 2000. The first cross-match will be done in January 2001 to collect the four quarters of earnings information for WAA participants for the year prior to entry into the program. By January 2001, wage data for the 2nd quarter of 1999 will be ready for cross-match and wage data for the 3rd quarter of 1999 WAA will still be in processing.

For WAA participants enrolled by September 30, 2000, the January 2001 cross-match would generate the four-quarter base period. For persons enrolled in the WAA program after October 1, 2000, additional quarters would need to pass to get four full quarters for their base period. For the first persons enrolled in the WAA program in March 2000, the January 2001 cross-match would show post-enrollment earnings for the April – June 2000 period, but nothing beyond that point and nothing for persons enrolled after April 1, 2000. Since enrollment in the WAA program will take time to build up and the WAA program offers a variety of services for job retention and progression, it is unlikely that the January 2001 cross-match would show sufficient data to draw any conclusions about the effect of the WAA program on earnings. To determine the impact of the WAA program on annual earnings, several quarters of additional UI data will be needed. Thus, the UI wage data will likely not provide a useful analytical tool until CY 2002.

Contents of March 2001 report

Given the timing considerations for the data sources, the March 2001 report from DWD will concentrate on program caseload information, types of service being provided and entered employment results through the end of CY 2000, the first year of WAA program operation. Information on earnings impacts will not be available by that point in time.

Reports on the effect of the WAA program on earnings increase, including the UI wage and six-month follow-up data, will be made available as the results become available. The earnings reports will be used by DWD to evaluate the performance of local agencies and the effectiveness of workforce attachment and advancement services.

File = WAA performance report to JFC draft.doc

WORKFORCE DEVELOPMENT

Performance Standards Under the Workforce Advancement and Attachment Program

Motion:

Move to require the Department of Workforce Development (DWD) to develop a methodology that would enable them to: (a) report the annual earnings of all persons receiving workforce advancement and attachment (WAA) services, including a comparison of such earnings with the earnings of each person in the year prior to beginning participation in the WAA program, and a comparison of such earnings with the poverty line; and (b) evaluate the performance of W-2 agencies and workforce development boards on the basis of their effectiveness in improving the earnings of persons receiving WAA services, and their effectiveness in increasing earnings of participants above the federal poverty guidelines. Require that DWD develop this methodology and submit the methodology in a report to the Joint Committee on Finance by March 1, 2000. Finally, require DWD to submit a report to the Joint Committee on Finance by March 1, 2001, which includes the information gathered by the Department regarding these performance measures.

Note:

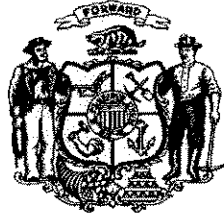
1999 Wisconsin Act 9 requires DWD to impose performance standards on agencies receiving WAA funding. These performance standards must be based on employment placement for unemployed persons, job retention rates of WAA participants, increased earnings of participants, and increased child support collections for noncustodial parents. This motion relates to the performance standard regarding measuring increased earnings of participants.

In particular, this motion requires DWD to develop a methodology that would allow them to report the annual earnings of all persons receiving WAA services, including a comparison of such earnings with the earnings of each person in the year prior to beginning participation in the WAA program, and a comparison of such earnings with the poverty line. This motion also requires that the methodology developed by DWD allow them to evaluate the performance of W-2 agencies and workforce development boards on the basis of their effectiveness in improving the earnings of persons receiving WAA services, and their effectiveness in increasing earnings of participants above the federal poverty guidelines. A report describing the methodology would have to be submitted to the Joint Committee on Finance by March 1, 2000, and a report which includes the information gathered regarding these performance measures would have to be submitted to the Joint Committee on Finance by March 1, 2001.

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: March 3, 2000

Re: DWD Report on Workforce Attachment and Advancement
Program

Attached is a copy of a report from the Department of Workforce Development, as required by Motion 5010 adopted at the December 21, 1999 meeting of the Joint Finance Committee under s. 13.10, Stats.

It provides information on the data sources that can be used to measure the effect of Workforce Attachment and Advancement services on earnings and how the data will be used for measurement purposes.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin
Department of Workforce Development

OFFICE OF THE SECRETARY

East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
(608) 266-1784
www.dwd.state.wi.us/
Email: DWDSEC@dwd.state.wi.us

*Julie
F/I - This
came in on 5/11
Cindy*

May 9, 2000

The Honorable John Gard
Co-Chair, Joint Committee on Finance
P.O. Box 8952
315 North, State Capitol
Madison, WI 53708

The Honorable Brian Burke
Co-Chair, Joint Committee on Finance
P.O. Box 7882
316 South, State Capitol
Madison, WI 53707-7882

Dear Co-Chairmen Gard and Burke:

Over the course of the last several months MAXIMUS -- a W-2 agency in Milwaukee -- has received considerable attention from the media and has been the subject of legislative concern.

In response, the Department requested the Department of Administration Performance Evaluation Office to conduct a review of the agency. We have received a verbal summary of DOA's review, which indicates that there is merit to a more detailed examination of MAXIMUS' operations.

In addition, the Department has conducted a review of MAXMUS' single audit report, which indicates that on at least on four occasions MAXIMUS may have over-charged the State of Wisconsin.

Furthermore, on May 1, 2000 I requested that MAXIMUS provide the Department with documentation that the agency has not inappropriately charged W-2 for staff time spent on other contracts or non W-2 work. In their reply of May 5, 2000 MAXIMUS reported that their own internal review found five separate cases where W-2 was incorrectly charged.

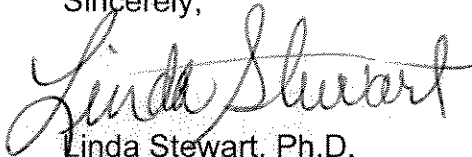
As a result of these findings, I believe the Department must conduct a more extensive review of MAXIMUS' operations. Therefore, the Department will proceed with the hiring of an independent outside auditing firm to conduct a thorough review of the operations and administrative practices of MAXIMUS. This independent audit will focus on the extent to which W-2 staff were used, if at all, in work being done outside the W-2 program, and include a review of MAXIMUS' accounting and staff allocation practices. In particular, the scope of the audit will include the following:

- Review the MAXIMUS single audit report and assess the adequacy of the sample and findings.
- Specifically audit the adequacy of the processes and policies that ensure an appropriate relationship exists between MAXIMUS and MAXSTAFF.

- Review MAXIMUS cost allocations procedures and practices. In particular, examine how costs are allocated from national MAXIMUS to the Wisconsin W-2 contract.
- Review how expenses are allocated to Welfare to Work (WtW) and W-2 programs.
- Examine the relationship between the W-2 program and the home office MAXIMUS operation.

Again, we will be contracting with an independent firm for the review and hope to have their conclusions and recommendations within 90 days.

Sincerely,



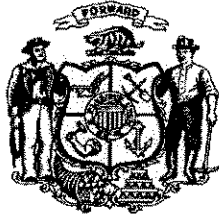
Linda Stewart, Ph.D.
Secretary

cc: George Lightbourn, Department of Administration
Jennifer Kraus, Department of Administration

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: May 10, 2000

Re: Dept. of Workforce Development Letter on MAXIMUS

Attached is a copy of a letter from the Department of Workforce Development, which provides information on an independent audit of MAXIMUS, a W-2 agency in Milwaukee.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin

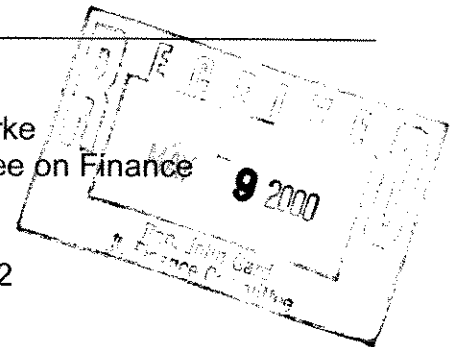
Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>
e-mail: DWDSEC@dwd.state.wi.us

May 9, 2000

The Honorable John Gard
Co-Chair, Joint Committee on Finance
P.O. Box 8952
315 North, State Capitol
Madison, WI 53708

The Honorable Brian Burke
Co-Chair, Joint Committee on Finance
P.O. Box 7882
316 South, State Capitol
Madison, WI 53707-7882



Dear Co-Chairmen Gard and Burke:

Over the course of the last several months MAXIMUS -- a W-2 agency in Milwaukee -- has received considerable attention from the media and has been the subject of legislative concern.

In response, the Department requested the Department of Administration Performance Evaluation Office to conduct a review of the agency. We have received a verbal summary of DOA's review, which indicates that there is merit to a more detailed examination of MAXIMUS' operations.

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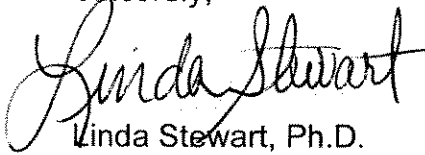
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- Review the MAXIMUS single audit report and assess the adequacy of the sample and findings.
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- Examine the relationship between the W-2 program and the home office MAXIMUS operation.

Again, we will be contracting with an independent firm for the review and hope to have their conclusions and recommendations within 90 days.

Sincerely,



Linda Stewart, Ph.D.
Secretary

cc: George Lightbourn, Department of Administration
Jennifer Kraus, Department of Administration

MAXIMUS

Wisconsin Works (W-2) Agency

May 5, 2000

Linda Stewart, Secretary
Department of Workforce Development
Office of the Secretary
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946

Dear Secretary Stewart:

In response to your letter dated May 1, 2000 I am providing the requested list of subcontractors who have performed work for MAXIMUS in both Wisconsin (W-2) and New York (NYC) as well as documentation of the time and expenses for W-2 staff who may have worked on other projects.

MAXIMUS time and expense reporting policy clearly provides instruction to staff for the accurate completion of time and expense reports. MAXIMUS is committed to ensuring accuracy of accounting policies. Where staff may expend considerable overtime to ensure a quality product for a customer, we nevertheless bill only eight hours a day to the Wisconsin W-2 contract. Similarly, it is MAXIMUS policy when errors in time allocation may occur to take immediate corrective action.

Several weeks ago, recognizing the scrutiny MAXIMUS would undergo due to recent press in New York and Wisconsin MAXIMUS began an exhaustive search of personnel time and expense records. We have carefully reviewed personnel records of all staff going back to the inception of the project and all relevant associated expense reports. This letter summarizes the results of that review and indicates that MAXIMUS time and expense reporting represents a 99.9+ % accuracy rate.

Subcontractors

Two consultants have been identified as having performed work for MAXIMUS both in Wisconsin and New York. A brief summary of the responsibilities of both individuals follows.

- o Tony Kearney provides consulting services to MAXIMUS staff on employer-linked customized training programs for MAXIMUS W-2 project. These services include the establishment, coordination and monitoring of the customized training programs.

(continued...)

- o Rudy Ramos was contracted to analyze and develop welfare reform strategies specifically identifying opportunities that allowed for large placement pools of Welfare to Work participants. Mr. Ramos identified potential employers with interest in such projects and then pursued the development of strategic relationships with those employers in an attempt to create large pool employment opportunities for Welfare to Work participants.

Attachment 1: Time and Expense Summary for Kearney and Ramos summarizes invoice information for each of the individuals listed above. Our billing and invoice process for subcontractors segregates services provided according to the specific project for which work was done. Our review of these records indicates that in all cases, with the exception of one, services and expenses were billed and paid separately and correctly from appropriate project funds. In error one consultant billed his travel expenses for one New York marketing trip to W-2. MAXIMUS discovered the error about two weeks ago and reversed the charges to W-2.

MAXIMUS Staff

On occasion employees with specific skills are needed temporarily at other projects to work on such activities as marketing, project start-up and proposal writing. This practice is part of our staff development program and provides benefits to both the project and our staff by promoting the exchange of information and ideas across our many projects. MAXIMUS has established a clear methodology for cost allocation of employee time to ensure time is correctly charged to projects for which work is being done. All staff are instructed to report time according to the appropriate source, project and activity for which they have done work. *Attachment 2: MAXIMUS Policy for Charging Contracts* should provide clarification on this issue.

Our review has indicated that since the inception of the MAXIMUS W-2 project, 29 employees from this project have also charged time to other MAXIMUS projects. Fifteen of these employees worked specifically on the New York project. *Attachment 3: Time Records Summary* provides full identification of the time allocated by MAXIMUS W-2 Staff to W-2 or other State of Wisconsin funded projects versus other MAXIMUS projects. Payroll records and expense accounting information have also been included for your review as *Attachment 4: Payroll Records* and *Attachment 5: Expense Records Summary*.

A separate marketing number was set up for New York City marketing to capture significant hours utilized in preparing the proposal or in contract negotiations with the client. These significant hours started after the RFP was released in May 1999.

(continued...)

MAXIMUS

May 5, 2000

Review Results

During our review of personnel records covering over 800,000 labor hours, we discovered four individuals who incorrectly recorded a small portion of their time. Of the twenty nine individuals that worked on activities other than W-2, twenty five recorded all of their time accurately. Four MAXIMUS W-2 employees errored in charging a cumulative total of 272 hours over a three year period. With the exception of these unintended errors the non W-2 hours were charged appropriately, demonstrating our good intent and commitment to bill properly. These billings in error have already been adjusted internally and will be reflected as an adjustment in the next W-2 monthly billing.

MAXIMUS remains committed to ensuring time and expenses are appropriately recorded and charged to W-2 as well as other projects. To ensure accuracy MAXIMUS policy and procedures for reporting time and expenses will be reviewed again with all MAXIMUS W-2 staff.

We believe this information responds to your request. If you need any additional information, please do not hesitate to contact Holly Payne or myself. Both Holly and I are available to meet with you or your staff to review and clarify any of the materials submitted.

Sincerely,



Jerry Stepaniak
Vice President
Welfare Reform Division

ATTACHMENTS

cc: Holly Payne
Lena Settergren

MAXIMUS

ATTACHMENT 1 TIME AND EXPENSE FOR KEARNY

Expense Date	Expenses	Time NY	WI	AZ	GA
3/1/00	-	-	5,750.00		
2/1/00	-	-	7,875.00		
1/1/00	-	-	8,250.00	-	-
12/30/99	3,533.27	5,191.20	4,078.80	-	-
11/1/99	-	8,099.99	6,120.00	-	-
11/1/99	3,472.43	8,105.40	6,114.60	-	-
10/31/99	4,283.35	-	-	-	-
10/14/99	1,134.55	-	-	-	-
10/1/99	-	9,456.30	4,763.70	-	-
10/5/99	3,100.70	-	-	-	-
9/3/99	4,530.87	-	-	-	-
9/1/99	-	5,162.82	8,075.18	-	-
8/1/99	-	6,015.33	3,007.67	-	-
7/29/99	1,772.23	-	-	-	-
7/1/99	5,378.21	4,136.00	6,204.00	-	-
6/1/99	-	7,350.00	3,710.00	-	-
5/29/99	2,113.21	-	-	-	-
5/1/99	-	5,182.40	5,056.00	2,401.60	-
4/1/99	-	-	19,750.00	-	1,585.57
4/1/99	-	-	14,220.00	-	-
4/1/99	-	-	4,085.00	-	-
3/24/99	1,063.00	-	-	-	-
2/1/99	-	-	10,325.00	-	-
1/1/99	1,443.57	-	11,275.00	-	-
12/1/98	-	-	11,519.00	-	-
11/1/98	-	-	13,984.00	-	-
9/1/98	-	-	8,800.00	-	-
8/1/98	-	-	7,281.00	-	-
7/1/98	-	-	7,000.00	-	-
7/16/98	-	-	9,292.00	-	-
Total	\$31,825.39	\$ 58,699.44	\$172,910.95	\$2,401.60	\$ 1,585.57
			Grand Total	\$267,422.95	

MAXIMUS

ATTACHMENT 1 TIME AND EXPENSE FOR RAMOS

Expense Date	Charged to WI	Charged to NY	NY Marketing
Apr-99	\$ 4,550.00		
Apr-99	\$ 388.92		
May-99	\$ 3,325.00		
May-99	\$ 3,412.50		
May-99	\$ 144.75	\$ 148.20	
Jun-99		\$ 3,500.00	
Jun-99	\$ 1,662.50		\$ 612.50
Jun-99	\$ 155.53		
Jul-99	\$ 2,800.00	\$ 350.00	
Jul-99	\$ 1,925.00	\$ 525.00	
Jul-99	\$ 360.00		
Aug-99	\$ 3,237.50	\$ 87.50	
Aug-99	\$ 2,800.00		
Aug-99	\$ 282.72		
Sep-99	\$ 3,150.00		
Sep-99	\$ 238.15	\$ 14.13	
Oct-99	\$ (2,450.00)		
Sep-99	\$ 2,975.00	\$ 350.00	
Oct-99		\$ 388.20	
Sep-99	\$ 1,552.12	\$ 350.00	
Oct-99		\$ 3,500.00	
Oct-99		\$ 3,150.00	
Oct-99	\$ 298.22		
Nov-99	\$ 1,750.00	\$ 1,750.00	
Nov-99		\$ 2,500.00	
Dec-99		\$ 60.28	
Dec-99		\$ 3,325.00	
Total	\$ 32,557.91	\$ 19,998.31	\$ 612.50

Attachment 2
POLICY FOR CHARGING CONTRACTS

Non Exempt Employees

For non-exempt employees (such as administrative assistants), the actual number of hours worked in the pay period is charged to the contract. No overtime is charged without prior authorization.

Exempt Employees

For exempt (management) employees, our policy is more complicated since management employees often work overtime. Our policy for charging contracts for exempt employees is as follows.

A contract is charged part time by the exempt employee if the employee works less than the number of work days in a pay period times 8 hours. The other hours could be charged to marketing, administrative leave, or another contract if the employee actually works on another contract in MAXIMUS.

A contract is charged full time by the exempt employee if the exempt employee works 100% of his/her time on a contract for at least the number of days in the pay period times 8 hours per day. For a pay period involving 11 work days, for example, the number of work hours in the pay period would be 88. This means that if the employee works more than 88 hours in that pay period, only 88 hours would be charged. Employees are not allowed to carry over the excess hours worked to the next pay period. Thus most of our clients receive more than the numbers actually recorded on the time sheets.

If the exempt employee does not spend 100% of his/her time on the contract during a pay period, but does work at least 8 hours times the number of work days in the pay period, the contract is still charged as though the employee worked full time on the contract. In the previous example with the 88 hour pay period, assume that the employee worked for 96 hours on the contract and 8 hours (say a weekend) on a proposal, for a total of 104 hours. This employee would still charge full time, or 88 hours, to the contract.

Where a significant amount of time will be spent on activities other than working on the contract, such that an exempt employee cannot bill full time, then a separate number is set up to charge. If administrative leave is being taken or the employee is working on another MAXIMUS contract, such a number will already exist.

Notes to Attachment 3
Time Record Summary

MAXIMUS

Notes to Billable Hours Charged Reports

1. Billable Hours Charged Reports were printed for all Wisconsin employees who have participated in non-Wisconsin project activities.
2. The reporting period is from September 1, 1997 to March 31, 2000.
3. The first month reported on the individual employee's report is the first month of the staff's employment with the MAXIMUS Wisconsin Project.
4. The information on each report includes:
 - o the month and year worked,
 - o the pay period for the month worked,
 - o the account (I.e. project or client) charged,
 - o the hours billed per pay period, and
 - o the total hours billed for the month.
5. The account charged numbers are to be interpreted as follows:
 - o Four-digit codes correspond to a contracted project;
 - o After the four-digit code is the name of the State and contracted project, ex. WI W2, NY Skills Assessment, etc.;
 - o The hours billed are added up for each pay period and for each month;
 - o The 15000 series account code designates that the hours are charged to the Government Operations Group General Marketing Account; these hours are translated to the appropriate project in Attachment 3;
(For example, if the hours charged were for marketing activities related to the New York project, those hours are reflected in the NY category); and
 - o The 23000 series account code designates that the hours are charged to a bid or proposal number; these hours are translated to the appropriate project in Attachment 3;
(For example, if the hours charged were related to proposal work for the New York project, those hours are reflected in the NY category.)

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>
e-mail: DWDSEC@dwd.state.wi.us

May 12, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
316 South, State Capitol
Madison, WI 53708-7882

The Honorable John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
315 North, State Capitol
Madison, WI 53708

Dear Co-Chairmen Burke and Gard:

Enclosed is a request to the Department of Administration (DOA) to increase our SFY00 allotment authority in response to the budget shortfall in the Division of Vocational Rehabilitation (DVR). Also enclosed is a clarification of this request per my direction.

The Department's actions to cover the DVR budget shortfall demonstrate our commitment to provide uninterrupted service to all consumers seeking DVR services.

Under our plan, DVR's SFY00 and SFY01 case aids funding will remain whole. We determined, under consultation with DOA and the Legislative Fiscal Bureau, that this plan represents the most appropriate course of action to ensure the continuation of services in both SFY00 and SFY01 without causing a budget deficit.

We will provide the Committee with further information on this situation as it is available.

Sincerely,

A handwritten signature in cursive script that reads "Linda Stewart".

Linda Stewart, Ph.D.
Secretary

Enclosure

Cc: Members, Joint Committee on Finance
Bob Wood, Governor's Office
State Budget Office
Legislative Fiscal Bureau

InterOffice Memo

Department of Workforce Development

Date: May 12, 2000

To: Linda Stewart

From: Orlando Canto

Subject: **DVR Shortfall**

At your request, I am providing some additional clarification of how the Department will proceed to cover the projected DVR shortfall. As part of our commitment to serve all eligible DVR consumers, we are taking the following steps to prevent this appropriation from going into deficit:

- Apply all available funds received from Social Security Administration "999" to case aids expenditures. These are currently estimated to be \$1.8 million, and may actually be slightly higher by an additional \$100,000 to \$200,000.

The "999" funds will be applied directly to case aid expenditures to reduce the total amount of actual expenditures year-to-date. The \$1.8 million reduction provides the Department additional spending/encumbrance room to cover the additional case aids obligations. Please remember that this is not a 1 for 1 on the GPR side, as "999" funds cannot be used as match on the federal funds. The application of these funds results in savings of \$400,000 GPR.

- Request authority from DOA to use next year's GPR case aids appropriation in this year. These funds will only be used in the event that actual GPR need for case aids exceeds the amounts available in FY00 and the amounts available in FICR. In addition, this step also provides the department the ability to more accurately track expenditures in the same appropriation as they occur.

Please remember that our problem is caused by a combination of expenditures and encumbrances. We know from past experience that some level of encumbrances will not become expenditures. Keeping the expenditures in the same appropriation until the final level of expenditures are known follows more appropriate accounting practices. The use of next years GPR allows us to keep expenditures in the correct appropriation as they come in. It also provides the Department the flexibility to avoid spending funds it may not need, in a best case scenario.

- Request authority from DOA to increase FICR up to \$1.2 million. These funds will be used to offset actual GPR expenditures in excess of the FY00 authorized GPR case aids levels. The Department has these funds and we have pledged to make them available to assist in this problem.

The transfer of any case aids expenditure that exceeds our authorized FY00 GPR level to FICR – up to \$1.2 million will occur at the point that we have actual expenditure data. Once actual case aids expenditures exceed FY00 GPR, the Department will begin shifting expenditures in excess of FY00 to FICR. Actual expenditures of FY01 GPR will not happen until the \$1.2 in FICR is exhausted. This approach will enable the Department to:

- a) Track all of the case aids encumbrance and expenditure data in one appropriation on the State accounting system.
- b) Avoid the use of FY01 GPR except as a last resort.

In summary, this process permits for the cleaner accounting of funds for their designated purposes. It also allows the department to be more responsive given the variables of the current level of encumbrances and not knowing what our final expenditure total will be. This approach also permits the Department to save any FICR that may not be needed this year to use for services next year.

This has been a tricky process with many variables. Our problem is caused not just by expenditures. Expenditures have not yet exceeded our FY00 GPR. It is the combination of expenditures and encumbrances that exceeds FY00 funding. The final outcome may vary depending on how many encumbrances are appropriately liquidated because consumers did not use them or because they were not used in FY00. Using this approach provides for better more appropriate accounting and allows the department the option to continue to supplement services next year if all FICR funds are not needed in FY00.

I hope this responds to your questions. Please let me know if you have other questions I can clarify.

cc: Mark Liedl
Kim Markham
Rachel Biittner
Tom Smith
Greg Smith
Maureen Hlavachek

InterOffice Memo

Department of Workforce Development

Date: April 27, 2000

File Ref: s:\budbur\00allot\prgm05\509-apr-AP.doc

To: Josh Hummert
State Budget Office

From: Mike Holland 
Bureau of Strategic Planning and Budget

Subject: Allotment Change for Appropriation 509, State Title I-B Aids

This request is to increase the allotment authority for Appropriation 509 (State Title I-B Aids) on the Aids to Individuals line (509 8) by a total of \$1,500,000. In accordance with the provisions of s. 20.445(5)(bm), the Department of Workforce Development is requesting that \$1.5 million of the SFY 01 allotment for appropriation 509 be made available for use in SFY 00.

The department has discussed the statutory authority for this action with the Legislative Fiscal Bureau, and they have agreed the provision allows transfers from the second year to the first (as proposed here) or vice versa. They have also reviewed the statutory provision with the Legislative Reference Bureau and received the same opinion.

Two factors affecting the Division of Vocational Rehabilitation have made this request necessary. First, the projected case aids shortfall in appropriation 509 will result in a suspension of financial transactions before the close of the fiscal year. And, second, a change in DWD finance business practices, effective Monday, May 1, 2000 regarding the encumbrance and expenditure of state and federal match transactions will immediately increase the draw on general purpose revenue (GPR) funds to a level that will exceed current expenditure authority.

As you know, based on year-to-date actuals and projected spending for the remaining months of the fiscal year, appropriation 509 is expected to require approximately \$1.4-2.0 million to continue services and fully secure all federal matching dollars. The exact level of funding will be determined by the value of existing encumbrances actually expended, and the expenditures that occur in the final months of the fiscal year.

The inter-year transfer should insure there are adequate resources in place to meet this year's obligations. If encumbrances/expenditures require additional funding, the department will draw on our Social Security Administration Reimbursements and/or Federal Indirect Cost Reimbursement funding to supplement the appropriation. In the event the projected shortfall is less than currently anticipated, any remaining GPR funding will be transferred back to SFY 01, and expended before September 30 of the next fiscal year in accordance with the statutory provisions.

As we continue to monitor this year's activities, we will also be developing a plan for SFY 01. For that plan we will estimate the total resources available (GPR, FED and 3rd Party Agreements, Social Security Administration funds, etc), any carryforward from this fiscal year, and any additional resources available to the department (including FICR). The department will then look at active and projected caseloads for SFY 01, and develop a plan designed to match the Division's programs, clients and services with the resources available for the year.

We will, of course, keep the DOA State Budget Office informed of further developments as they occur.

A screen print of the AP transaction (AP 445 0DVR-3) is attached.

Following is a chart showing the impact of the AP transaction on the appropriation.

Appropriation 509 (bm)

Appropriation Units		Current Allotment	Change Request	Revised Allotment
Perm./Project Salaries	5 09 1			
LTE Salaries	5 09 2			
Fringe Benefits	5 09 3			
Supplies & Services	5 09 4			
Permanent Property	5 09 5			
Local Assistance	5 09 6			
Special Purpose	5 09 7			
Aids to Individ./Org.	5 09 8	\$5,248,900	\$1,500,000	\$6,748,900
Unalloted Reserve	5 09 9			
Total		\$5,248,900	\$1,500,000	\$6,748,900

Please contact me if you have any questions. Thank you in advance for your prompt response to this request.

cc: Tami Moe
Tom Smith

FUNCTION: DOCID: AP 445 0DVR0000003 04/28/00 03:26:07 PM

STATUS: PEND3 BATID: ORG: 001-001 OF 001

H- APPROPRIATION INPUT SCREEN

APPR DATE: 04 27 00 ACCTG PRD: BUDGET FY: 00

FUND: 100 AGENCY: 445 ORGN: NET APPR AMOUNT: 1,500,000

NET EST RECEIPT AMT: 0

APPR END

ACT APPR UNIT TYPE DATE APPROPRIATION NAME SHORT NAME

APPR AMOUNT I/D REV/BCB/BBSA IND EST RECEIPT AMT I/D B/A OPT

ST TYPE ST SOURCE ST/AIDS/LA IND APPR ALPHA E/R/U IND ROLL

01- C 5 09 8

1,500,000 I

02-

A--*S001-APPROVAL 1 APPLIED A--*S002-APPROVAL 2 APPLIED

A--*HS60-DOCUMENT MARKED FOR READ ONLY

GARY R. GEORGE
SENATOR

August 18, 2000

The Honorable Senator Brian Burke, Co-Chair
The Honorable Representative John Gard, Co-Chair
Joint Committee on Finance
State Capitol
Madison, WI

Dear Co-Chairs Burke and Gard:

I am writing to express my deep disappointment that the Joint Finance Committee has taken actions that have taken all of the funding originally allocated for credit assistance and committed it for other uses. I am especially disappointed that--after all the months that have been spent developing a workable proposal on financial literacy education that appeared to have bipartisan support--this action was taken without the courtesy of informing me that this recommitment of the funds was being considered.

Attached are two Legislative Fiscal Bureau memos detailing the history of these funds. In signing the budget into law, the Governor vetoed the statutory allocation of funding for credit assistance (\$3 million annually in temporary assistance to needy families (TANF) funds) and directed that this funding be placed into unallotted reserve. In addition, the Governor made three other similar vetoes to allocation of TANF funding for the Milwaukee Jobs Initiative, the Campaign for a Sustainable Milwaukee and runaway services. In total, TANF funds of \$3.45 million in 1999-00 and \$3.25 million in 2000-01 were placed in unallocated reserve in the Department of Workforce Development's TANF appropriation under these vetoes.

Since that time, it is my understanding that the Joint Committee on Finance has approved the use of all of the funding originally allocated for credit assistance (and for the three other programs noted that were partially vetoed). In March, the committee approved the use of \$1 million in 1999-00 for assistance to homeless families, and on July 12, 2000, it adopted a motion to retain the remaining \$5.7 million in unallotted reserve in DWD but specified that these funds may be used only for direct child care subsidies. While these may be laudable goals, it was not the intent of the authors of these budget provisions that the funds be committed for these purposes.

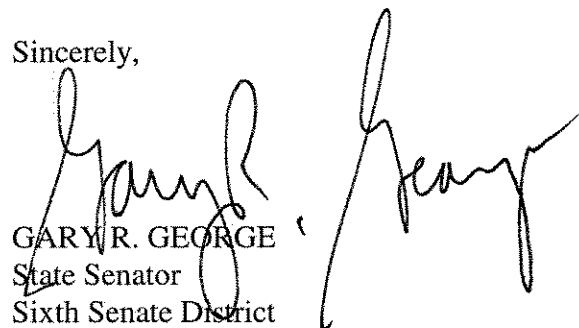
Bob Lang
thinks no
response is
necessary.

Brian -
I sent this to
Bob Lang for
help with a
response.
- Julie

I would respectfully ask, therefore, that the committee work to reallocate the funds initially provided for credit assistance to that purpose. I intend to request that the Governor submit an additional request under s. 16.54 (a) 2 to reallocate these funds or a portion thereof for credit assistance/financial literacy education, especially if there continues to be bipartisan cooperation on a plan.

Please feel free to contact us if you have any questions or if our office may be of service to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary R. George". The signature is written in a cursive style with a large initial "G".

GARY R. GEORGE
State Senator
Sixth Senate District

Attachments



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

August 10, 2000

TO: Senator Gary George
Room 118 South, State Capitol

FROM: Rob Reinhardt, Program Supervisor

SUBJECT: Funding for W-2 Credit Assistance

At your request, I am providing information regarding funding for payments to Wisconsin Works (W-2) agencies for credit establishment and repair assistance that was included in the 1999-01 biennial budget bill as passed by the Legislature (Enrolled Assembly Bill 133).

Biennial Budget Act

Under Enrolled AB 133, \$3,000,000 annually in temporary assistance for needy families (TANF) funding was provided for payments to W-2 agencies in first class cities for the provision of credit establishment and credit repair assistance to W-2 participants. This funding was included in the Department of Workforce Development's (DWD's) federal TANF appropriation amount and was specifically allocated for credit assistance under s. 49.175 (the statutory schedule of W-2 allocations). The bill also specified that these funds could not be transferred to any of the other W-2 allocations under s. 49.175.

In signing AB 133 into law as 1999 Wisconsin Act 9, the Governor vetoed the statutory allocation of funding for credit assistance in each year and the provision specifying that these funds could not be transferred to any of the other allocations. While the Governor's veto eliminated the statutory allocation of funds for credit assistance under s. 49.175, the veto did not reduce DWD's TANF appropriation amount. In his veto message, the Governor directed the Department of Administration (DOA) to place the \$3,000,000 of TANF funds into unallotted reserve.

The Governor made three other similar vetoes to allocations of TANF funding for the Milwaukee Jobs Initiative (\$100,000 in 2000-01), the Campaign for a Sustainable Milwaukee (\$300,000 in 1999-00) and runaway services (\$150,000 in each year). In total, \$3,450,000 in 1999-00 and \$3,250,000 in 2000-01 was placed in unallotted reserve in DWD's TANF appropriation under these vetoes.

Joint Finance Approval Requirement

Under s. 16.54 (2)(a)2, the Governor and state agencies may not encumber or expend certain federal block grant funds (including TANF funds) without approval by the Joint Committee on Finance under a 14-day passive review process. This requirement does not apply to block grant funds that have been allocated for W-2 and related programs under s. 49.175.

The funding that was placed in unallotted reserve as a result of the Governor's partial vetoes in Act 9 has not been allocated under s. 49.175 (because the vetoes deleted the statutory allocations). Therefore, the passive review requirement under s. 16.54(2)(a)2 applies to these funds.

Joint Finance Actions to Date

Since Act 9 was signed into law, the Joint Committee on Finance has taken two actions regarding the use of the funding placed in unallotted reserve. First, in March, 2000, the Committee approved the use of \$1,000,000 in 1999-00 for assistance to homeless families. Of this amount, \$500,000 was transferred to DOA's appropriation for housing program services and \$500,000 was added to the emergency assistance program administered by DWD. Following this action, a total of \$5,700,000 (\$2,450,000 in 1999-00 and \$3,250,000 in 2000-01) remained in unallotted reserve in DWD.

On July 12, 2000, the Committee adopted a motion to retain this \$5,700,000 in unallotted reserve in DWD, but to specify that these funds could only be used for direct child care subsidies. This action was taken to help address an anticipated funding shortfall in the child care subsidy program in 2000-01.

As a result of these two actions, all of the funding originally allocated for credit assistance (and for the other three programs that were vetoed) has been committed for other purposes. In order to re-allocate these funds for credit assistance or other programs, the Governor would have to submit an additional request under s. 16.54(2)(a)2 and the Finance Committee would have to approve the request under the 14-day passive review process. Alternatively, legislation could be enacted to redirect the use of these funds.

I hope this information responds to your request. Please contact me if you have additional questions.

RR/lah



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 12, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development: Section 16.54 Request Related to the Approval of Federal Child Care Development Block Grant Funds -- Agenda Item XI

REQUEST

On June 15, 2000, the Governor submitted a request to the Joint Committee on Finance for the approval of additional expenditure authority in appropriations 20.445(3)(mc) and 20.445(3)(md) in the Department of Workforce Development (DWD) in order to utilize additional federal child care development block grant (CCDBG) funds. Under s. 16.54(2)(a)2., the Governor may not administer and no state agency may encumber or expend certain federal monies unless the Governor first notifies the cochairpersons of the Finance Committee under a 14-day passive review process. The Finance Committee's Cochairpersons notified the Governor on June 30, 2000, that a meeting would be scheduled to discuss this request.

BACKGROUND

Child care assistance is provided through direct child care subsidies and through indirect child care programs. The subsidy program provides direct child care assistance to families who meet certain financial and nonfinancial eligibility criteria. The indirect expenditures are for state administration of the child care program and activities designed to increase the capacity and quality of child care providers in the state. Table 1 shows the amount of funding budgeted in 1999 Act 9 (the 1999-01 biennial budget) for child care.

TABLE 1

Child Care Funding Budgeted in Act 9

	<u>1999-00</u>	<u>2000-01</u>
Direct Subsidies	\$159,560,000	\$181,050,000
Indirect Programs	<u>11,812,300</u>	<u>11,367,600</u>
Child Care Total	\$171,372,300	\$192,417,600

Child care expenditures are funded with a combination of state GPR and federal revenues from the CCDBG and the temporary assistance for needy families (TANF) block grant as follows:

TABLE 2

Child Care Funding Sources Under Act 9

	<u>1999-00</u>	<u>2000-01</u>
GPR	\$16,449,400	\$16,449,400
CCDBG	39,314,000	39,311,400
TANF	<u>115,608,900</u>	<u>136,656,800</u>
Total	\$171,372,300	\$192,417,600

Act 9 increased the amount of TANF provided for child care expenditures and reduced the amount of CCDBG and GPR funding from prior levels. This reflected a proposal recommended by the Governor and approved by the Legislature to not access the state's matching component of the federal CCDBG. States are required to meet a maintenance-of-effort (MOE) and matching requirement for CCDBG matching funds, but there is no MOE or matching requirement for the other two components of the CCDBG (the discretionary and mandatory allocations). The amount of GPR provided (\$16.4 million annually) meets Wisconsin's MOE requirement. At the time Act 9 was being deliberated, it was estimated that state expenditures would have to be increased by \$14.2 million in 1999-00 and \$16.7 million in 2000-01 in order to meet the matching requirement, which would allow the state to access an estimated \$20.2 million in 1999-00 and \$23.8 million in 2000-01 in federal funds. In total, this would have increased funding by \$34.4 million in 1999-00 and \$40.5 million in 2000-01.

As noted, Act 9 did not provide sufficient GPR to access the CCDBG matching allocation. However, DWD was directed to identify sources of GPR expenditures that could be used to access these monies and to submit the information to the U.S. Department of Health and Human Services.

DWD was then required to submit a plan for expenditure of any additional federal dollars to the Finance Committee for approval no later than 60 days after receiving federal approval.

ANALYSIS

The request for additional expenditure authority is made up of three parts; two relate to federal CCDBG matching funds and one relates to spending federally earmarked monies. Table 3 summarizes the request. The CCDBG amount shown in this paper for child care subsidies in 2000-01 is slightly higher than the amount used in the Governor's request because the federal Medicaid matching rate used to determine the matching percentage has been recently updated. The amount used in this paper reflects the update.

TABLE 3

**Governor's s. 16.54 Request Summary
Additional Federal Expenditure Authority for Child Care**

	<u>1999-00</u>	<u>2000-01</u>	<u>Biennium</u>
CCDBG Matching Funds			
Direct Subsidies	\$8,500,000	\$7,917,000	\$16,417,000
Local Pass-Through	<u>0</u>	<u>25,965,700</u>	<u>25,965,700</u>
CCDBG Matching Total	\$8,500,000	\$33,882,700	\$42,382,700
Federally Earmarked Funds			
Indirect Programs	<u>\$1,201,800</u>	<u>\$4,512,100</u>	<u>\$5,713,900</u>
Total Additional Federal Funds	\$9,701,800	\$38,394,800	\$48,096,600

The table shows that the Governor is requesting the approval of an additional \$48,096,600 (\$9,701,800 in 1999-00 and \$38,394,800 in 2000-01) in federal spending authority. Of this amount, \$42,382,700 is made up of CCDBG matching funds and \$5,713,900 is additional federally earmarked funds. Specifically, the request would increase spending authority in appropriation 20.445(3)(md) by \$8,500,000 in 1999-00 and \$7,917,000 in 2000-01 for child care subsidies. Spending authority for 20.445(3)(mc) would be increased by \$25,965,700 in 2000-01 for the local pass-through program and by \$1,201,800 in 1999-00 and \$4,512,100 in 2000-01 for indirect child care programs. The following sections discuss the three parts of the request.

CCDBG Matching Funds: Child Care Subsidy Program

As required under Act 9, the Department has identified \$11,414,000 (\$6,785,600 in 1999-00 and \$4,628,400 in 2000-01) in state expenditures that can be used to match \$16,417,000 (\$9,676,300 in 1999-00 and \$6,740,700 in 2000-01) in federal CCDBG funds. The following table shows the state expenditures identified by DWD and the corresponding amount of federal dollars. The federal Medicaid matching rate (approximately 41% state/59% federal in Wisconsin) is used to determine how much federal matching funds can be made available. In other words, Wisconsin is able to access approximately \$59 in federal funds for every \$41 in state expenditures.

TABLE 4

Identified State Expenditures and Federal Match

	<u>1999-00</u>	<u>2000-01</u>	<u>Biennium</u>
Pre-Kindergarten	\$4,647,000	\$4,215,600	\$8,862,600
Tribal Child Care	412,800	412,800	825,600
Child Care Regulation	<u>1,725,800</u>	<u>0</u>	<u>1,725,800</u>
Total State Expenditures	\$6,785,600	\$4,628,400	\$11,414,000
Federal Match	\$9,676,300	\$6,740,700	\$16,417,000

These state expenditures were identified by DWD in consultation with other state agencies and represent eligible expenditures that could be documented as required at the federal level. Of the total amount of state expenditures identified over the biennium, \$8,862,600 is for the portion of state funded pre-kindergarten programs that are attributed to low-income students. The tribal child care expenditures represent the amount of GPR that the Department of Health and Family Services (DHFS) provides to tribes for child care activities. Finally, DHFS is expected to incur \$1,725,800 in GPR expenditures on child care regulation in 1999-00. The regulation expenditures are only shown for one year because they will be funded with CCDBG monies in 2000-01 and thereafter.

The Governor requests using \$8,500,000 of the \$16,417,000 in CCDBG monies to fund the projected deficit in the child care subsidy program in 1999-00 and placing the remaining amount (\$7,917,000) in unallotted reserve for the subsidy program in 2000-01 to cover any short-fall that may occur. As noted, Act 9 provided total funding of \$159.6 million in 1999-00 and \$181.1 million in 2000-01 for child care subsidies. The Legislature increased funding by \$5.0 million in 1999-00 and \$19.7 million in 2000-01 from the Governor's budget recommendation due to reestimates of the subsidy program's costs and to fund program expansions adopted by the Legislature. The increase in the subsidy program was partially funded with a reduction in indirect child care expenditures (-\$7.2 million in 1999-00 and -\$5.5 million in 2000-01) from the level recommended by the Governor. Specifically, the Legislature eliminated three new programs proposed by the Governor and reestimated other indirect program costs. The Act 9 provision

directing DWD to identify state expenditures in order to access federal matching dollars was included in Act 9 as a means to fund the indirect programs not approved by the Legislature.

The request to increase funding for the subsidy program for 1999-00 by \$8.5 million would provide a total of \$168.1 million, which is an increase of 5.3% above the Act 9 level. This reestimate reflects strong participation growth over the prior fiscal year. Table 5 compares child care data for April, May and June of 1999 to March, April and May of 2000. These time periods were chosen because they include consistent data from Milwaukee County and represent an equal number of reporting periods. However, the 2000 data reflects the implementation of the child care expansions included in Act 9. In addition to the information shown in the chart, there has been a shift in the type of child care being used from 76.9% of families using more expensive licensed child care (as opposed to certified care) in the early part of 1998 to 79.6% at the end of 1999.

TABLE 5

Direct Child Care Subsidy Program Growth

	<u>1999</u>	<u>2000</u>	<u>Growth</u>
Average Monthly Subsidies	\$11,199,000	\$13,710,000	22.4%
Average Number of Children	29,200	32,500	11.3
Average Number of Families	16,500	18,600	12.7
Average Subsidy per Family	\$679	\$737	8.6

Even with the \$7,917,000 in unallotted reserve, it is estimated that there will be a deficit in the subsidy program in 2000-01 if participation growth exceeds 0.17% per month. Participation has grown at an average of 1.2% per month over the 1999-00 fiscal year (through May). If this rate continues, there will be a deficit of an estimated \$15.3 million in 2000-01 even after accounting for the \$7,917,000 reserve. However, since the Act 9 modifications to the program began only recently (March 1), it is difficult to assess the full impact of the changes at this time. Five possible funding sources that could be used to make up the difference are listed below. Options (a) and (b) would require the Committee to modify one or both of the remaining two parts of the Governor's request. No action would need to be taken at this time under options (c), (d) or (e).

Options to Fund the Estimated Child Care Subsidy Program's Deficit in 2000-01

a. The Committee could modify the Governor's request for the local pass-through program to retain a portion of the federal matching funds at the state level. This option, which would provide up to \$7,969,500, is described in the following section of this paper.

b. The Committee could modify the request for additional expenditure authority for federally earmarked funds by eliminating two new programs proposed by the Governor, which would provide \$2,602,500. This option is discussed later in this paper.

c. The Committee's supplemental appropriation for 1999-00 contains approximately \$105.5 million in TANF funds made up of \$102.0 million in contingency funds and \$3.5 million in start-up funding for new W-2 agencies that was not needed when the contracts were signed.

d. The Governor's veto of Act 9 placed \$5.7 million (\$2,450,000 in 1999-00 and \$3,250,000 in 2000-01) in TANF funds in unallotted reserve within a DWD appropriation.

e. The estimated balance of TANF funds that have not been appropriated to DWD, other agencies or the Committee in the 1999-01 biennium is \$2.7 million.

As noted, the request would place the \$7,917,000 in CCDBG monies in unallotted reserve in 20.445(3)(md) in order to ensure that there are sufficient funds devoted to the subsidy program in 2000-01. The Committee could instead choose to place this funding in the Finance Committee's supplemental appropriation to be released upon the request of the Department.

CCDBG Matching Funds: Local Pass-Through

The Governor requests \$25,965,700 in additional federal expenditure authority for 2000-01 and the approval of a new program that would allow DWD to pass these monies through to local public agencies that can identify and certify the required match. The identified state expenditures discussed above would draw only a portion of federal CCDBG matching funds available to Wisconsin. The Governor's proposal would allow the remaining funds to be passed through to local governments. The following table shows the amount of Wisconsin's CCDBG matching funds that would be retained by the state and the amount that would be passed through to local governments by federal fiscal year (FFY).

TABLE 6

Proposed State and Local Share of Federal CCDBG Matching Funds

	<u>FFY 2000</u>	<u>FFY 2001*</u>	<u>Total*</u>
State Share	\$9,676,300	\$6,740,700	\$16,417,000
Local Pass-Through	<u>11,444,700</u>	<u>14,521,000</u>	<u>25,965,700</u>
Total CCDBG Funds	\$21,121,000	\$21,261,700	\$42,382,700

* Estimated

The Department proposes using a formula to determine the amount of federal matching funds available to each county. Under this formula, \$5,000,000 would be allocated based on each county's share of statewide births and \$20,965,700 would be based on each county's share of children who are at or below the federal poverty level. The Attachment to this paper shows the amount that would be allocated to each county under the formula.

In order to access the federal funds, local public agencies would have to certify qualifying expenditures and the intended use of the federal funds to DWD by August 1, 2000. The local governments would have to identify a total of \$17,996,200 in expenditures over the biennium to access all of the federal monies that would be passed through. If more money is requested and matched from a particular county than the formula would provide, the requests from within that county would be reduced proportionally. Funds that are not claimed would be reallocated to the other counties that have sufficient matching funds.

The Department proposes allowing the federal funds to be used by the local government for the following purposes:

- a. Programs that provide subsidies, training and consultation to child care programs in order to allow providers to integrate disabled children into child care programs with children without disabilities;
- b. Programs that aid in the prevention and management of illnesses and injuries; and
- c. Collaborative child care services (centers that provide services to children from more than one entity), including the start-up and expansion of certain types of care (sick child care, second shift care and school-aged child care), quality improvement and implementation.

As noted above, under the federal CCDBG matching requirements, each \$41 that the state spends is matched with \$59 in federal funds. This is the equivalent to saying that each \$1 that the state spends draws \$1.44 in federal monies. These matching ratios also apply to local expenditures. However, the source of state and local match is not accounted for separately when the federal funds are awarded. In other words, federal guidelines allow the state to retain all of the CCDBG matching funds, even if local governments are making the qualifying expenditures.

Since it is possible that the state's child care subsidy program will experience a deficit in 2000-01, the proposed local pass-through program could be modified to provide funding for the state to cover any short-fall. A modification to pass-through \$1 in federal funds for every \$1 in local expenditures would provide \$7,969,500 in federal funds that could be applied to the subsidy program in 2000-01 if needed. The amount passed through to local governments would be reduced by the same amount so that \$17,996,200, rather than \$25,965,700, in federal matching funds would be allocated to local governments. It should be noted that if the local governments certify less than \$17,996,200 in expenditures, the amount available to the state for subsidies under this option would also be reduced.

The provisions described above that outline how the pass-through program would be implemented do not appear in the statutes and the Department indicates that it does not intend to promulgate administrative rules regarding this program. This proposal involves a significant amount of funding (nearly \$26 million over the biennium). Therefore, if the Committee approves

the pass-through proposal it may wish to direct DWD to promulgate rules outlining how the funding will be allocated and used. However, the Committee could specify that the rules would not need to be in place until allocations made during the 2001-03 biennium since federal matching funds for FFY 2000 must be obligated by the end of September.

Federally Earmarked Funds: Indirect Child Care Programs

The request would increase expenditure authority by \$5,713,900 (\$1,201,800 in 1999-00 and \$4,512,100 in 2000-01) to reflect the receipt of federally-earmarked dollars. These monies are from the discretionary component of the CCDBG; these are not federal matching funds. The funds would be used to fund the continuation of two indirect child care programs and the creation of two new programs proposed by the Department.

Continue Existing Programs. The Department has spent and obligated federal funds earmarked for infant/toddler child care, school-age child care and resource and referral services that were first made available in FFY 1998, causing DWD to exceed its federal expenditure authority. The earmarked funds have been obligated for two indirect child care programs that have been approved by the federal government but were not included in Act 9. The request would provide expenditure authority to continue the receipt of the earmarked funds for the two programs, which are described below.

Infant Toddler Scholarship and Bonus Program. This program provides scholarships and bonuses to child care staff working with infants and toddlers. Specifically, the program funds the cost of courses in infant and toddler care that lead to the completion of a newly-developed "infant toddler credential." Bonuses are also provided upon completion. The child care centers and the program participant also agree to contribute toward the cost of tuition. This program has been administered under contract with Wisconsin Early Childhood Association and approximately 400 applications have been approved as of May, 2000. A total of \$1,515,400 (\$641,800 in 1999-00 and \$873,600 in 2000-01) has been obligated to date, which represents the federal earmark for FFY 1998 and FFY 1999. The request includes an additional \$753,600 in 2000-01 (the federal earmark for FFY 2000). In total, funding for this program would equal \$2,269,000 (\$641,800 in 1999-00 and \$1,627,200 in 2000-01).

School-Age Child Care Technical Assistance and Child Care Resource and Referral. The Department has obligated \$842,300 (\$559,900 in 1999-00 and \$282,400 in 2000-01) in federal earmarks for FFYs 1998 through 2000. This funding has been provided by grant for the following purposes: (a) \$395,900 to the Wisconsin Child Care Improvement Project to provide advice and assistance for the start-up, expansion and improvement of school-age child care services; and (b) \$446,400 to the Child Care Resource and Referral (CCRR) network to assist the 17 CCRR agencies in meeting basic standards, provide training and technical assistance and standardize data collection.

Create New Programs. The discretionary component of the CCDBG includes an increase of \$2,602,500 in FFY 2000 in a new federal earmark for quality expansion. The request proposes using these funds to create the two, new indirect child care programs described below.

Child Care Scholarships and Bonuses. A scholarship and training program for child care providers would be created and funded with \$2,500,000 in 2000-01. This would be an expansion of the infant and toddler program discussed above and would provide scholarships and bonuses to child care staff to attend specified training. This is similar to the child care careers program recommended by the Governor as part of his 1999-01 budget recommendations, which was later eliminated by the Legislature in order to fully fund the child care subsidy program.

Training Local Administration Staff. The request would provide \$102,500 in 2000-01 to train the county, tribal and W-2 staff who administer the child care subsidy program. The training is intended to improve the quality of customer service and administrative efficiency.

Expenditures made as part of other existing indirect child care programs qualify as an eligible activity for the federal funds earmarked for quality expansion. Since the reestimate of the subsidy program's costs in 2000-01 exceeds the amount provided under this request, the Committee may wish to not approve the creation of two new indirect programs. Instead, the \$2,602,500 in earmarked funds could be used to free-up an equal amount of non-earmarked CCDBG dollars to be used to reduce the subsidy program's deficit.

SUMMARY

The Governor requests additional federal expenditure authority of \$48,096,600 (\$9,701,800 in 1999-00 and \$38,394,800 in 2000-01) for DWD in order to increase funding for the direct child care subsidy program and indirect program and to create a mechanism to pass through federal matching funds to local governments. The following table shows the amount of additional funding that would be provided to these programs and a comparison to the amounts budgeted under Act 9. [The amounts for 2000-01 reflect the updated federal matching rate.]

TABLE 7

Child Care Funding Under Request

	<u>Total Child Care Funding Under Request</u>			<u>Change to Act 9 Funding</u>		
	<u>1999-00</u>	<u>2000-01</u>	<u>Biennium</u>	<u>1999-00</u>	<u>2000-01</u>	<u>Biennium</u>
Direct Subsidies	\$168,060,000	\$188,967,000	\$357,027,000	\$8,500,000	\$7,917,000	\$16,417,000
Indirect Programs	13,014,100	15,879,700	28,893,800	1,201,800	4,512,100	5,713,900
Local Pass-Through	0	25,965,700	25,965,700	0	25,965,700	25,965,700
Total	\$181,074,100	\$230,812,400	\$411,886,500	\$9,701,800	\$38,394,800	\$48,096,600

Even with the increased subsidy funding proposed under the request, it appears that there could be a deficit in 2000-01. This could be offset by modifying the proposed local pass-through program, not approving the creation of the new indirect child care programs or by drawing on other TANF monies that are available. In addition, the Committee may wish to place the federal matching funds that would be set aside for the subsidy program in 2000-01 (\$7,917,000 under the request) in the Committee's appropriation rather than in unallotted reserve in DWD's appropriation.

ALTERNATIVES

1. Approve the Governor's request for additional federal expenditure authority in DWD of \$9,701,800 in 1999-00 and \$38,394,800 in 2000-01 to fund increased direct child care subsidies, a local pass-through program and additional indirect child care programs. Expenditure authority for appropriation 20.445(3)(mc) would be increased by \$1,201,800 in 1999-00 and \$30,477,800 in 2000-01 and 20.445(3)(md) would be increased by \$8,500,000 in 1999-00 and \$7,917,000 in 2000-01.

2. Modify the proposed local pass-through program by directing the Department to distribute to eligible local governments an amount of CCDBG matching funds equal to the amount of certified local matching expenditures to a maximum of \$17,996,200 over the 1999-01 biennium. Specify that the difference between the amount passed through and the amount of federal dollars generated by the local expenditures would be applied to the state's child care subsidy program. Compared to the Governor's request, reduce expenditure authority for 20.445(3)(mc) by \$7,969,500 in 2000-01 and increase expenditure authority for 20.445(3)(md) by the same amount.

3. Deny the Governor's request to create a child care scholarship and bonuses program and to provide training for local administrative staff. Instead, allocate the funding requested for these programs to the child care subsidy program. Compared to the request, reduce expenditure authority for 20.445(3)(mc) by \$2,602,500 in 2000-01 and increase expenditure authority for 20.445(3)(md) by the same amount in 2000-01.

4. Modify the request by placing the \$7,917,000 in federal matching funds in the Committee's supplemental appropriation [(s. 20.865(4)(m))] in 2000-01 rather than in unallotted reserve in 20.445(3)(md).

5. If Alternative 2 is selected, place \$7,969,500 in the Committee's supplemental appropriation [s. 20.865(4)(m)] in 2000-01 rather than in 20.445(3)(md).

6. If Alternative 3 is selected, place \$2,602,500 in the Committee's supplemental appropriation [s. 20.865(4)(m)] in 2000-01 rather than in 20.445(3)(md).

7. Direct DWD to promulgate administrative rules regarding how funding under the local pass-through program would be allocated and used before any federal matching funds can be distributed to local governments after June 30, 2001.

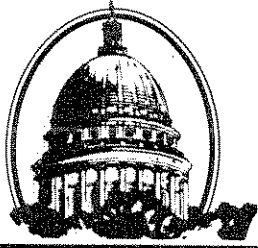
8. Deny the request.

Prepared by: Kelsie Doty

ATTACHMENT

Local Pass-Through of Federal CCDBG Funds Proposed County Allocations

	<u>Required</u> <u>Local Match</u>	<u>CCDBG</u> <u>Allocation</u>	<u>% of Total</u> <u>CCDBG</u> <u>Funding</u>		<u>Required</u> <u>Local Match</u>	<u>CCDBG</u> <u>Allocation</u>	<u>% of Total</u> <u>CCDBG</u> <u>Funding</u>
Adams	\$65,165	\$94,032	0.36%	Marathon	\$358,491	\$517,232	1.99%
Ashland	76,341	110,157	0.42	Marinette	143,046	206,403	0.79
Barron	159,162	229,661	0.88	Marquette	45,499	65,653	0.25
Bayfield	68,313	98,579	0.38	Menominee	70,098	101,161	0.39
Brown	592,480	854,751	3.29	Milwaukee	6,218,589	8,973,443	34.56
Buffalo	49,014	70,724	0.27	Monroe	171,464	247,406	0.95
Burnett	54,371	78,455	0.30	Oconto	103,460	149,280	0.57
Calumet	68,777	99,209	0.38	Oneida	97,069	140,059	0.54
Chippewa	195,180	281,626	1.08	Outagamie	339,258	489,393	1.88
Clark	141,014	203,460	0.78	Ozaukee	92,020	132,698	0.51
Columbia	120,619	174,016	0.67	Pepin	26,774	38,634	0.15
Crawford	67,862	97,920	0.38	Pierce	83,848	120,966	0.47
Dane	844,946	1,218,900	4.69	Polk	132,607	191,340	0.74
Dodge	176,200	254,197	0.98	Portage	200,397	289,143	1.11
Door	78,511	113,286	0.44	Price	50,767	73,253	0.28
Douglas	206,349	297,760	1.15	Racine	659,250	951,177	3.66
Dunn	128,321	185,149	0.71	Richland	70,255	101,375	0.39
Eau Claire	330,885	477,437	1.84	Rock	532,104	767,739	2.96
Florence	18,336	26,461	0.10	Rusk	77,782	112,243	0.43
Fond du Lac	224,896	324,456	1.25	St. Croix	125,147	180,533	0.70
Forest	45,750	66,020	0.25	Sauk	153,990	222,168	0.86
Grant	149,348	215,493	0.83	Sawyer	83,428	120,391	0.46
Green	82,164	118,541	0.46	Shawano	129,148	186,343	0.72
Green Lake	57,521	82,993	0.32	Sheboygan	242,415	349,719	1.35
Iowa	67,484	97,364	0.37	Taylor	74,119	106,948	0.41
Iron	18,250	26,335	0.10	Trempealeau	91,245	131,653	0.51
Jackson	71,925	103,785	0.40	Vernon	120,864	174,400	0.67
Jefferson	137,954	199,002	0.77	Vilas	78,428	113,173	0.44
Juneau	89,188	128,691	0.50	Walworth	181,042	261,171	1.01
Kenosha	515,996	744,485	2.87	Washburn	65,679	94,775	0.37
Kewaunee	45,291	65,343	0.25	Washington	176,616	254,737	0.98
La Crosse	333,501	481,189	1.85	Waukesha	488,311	704,293	2.71
Lafayette	51,465	74,258	0.29	Waupaca	133,840	193,100	0.74
Langlade	86,319	124,559	0.48	Waushara	96,232	138,862	0.53
Lincoln	81,055	116,950	0.45	Winnebago	339,531	489,839	1.89
Manitowoc	211,095	304,562	1.17	Wood	<u>232,324</u>	<u>335,204</u>	<u>1.29</u>
					\$17,996,185	\$25,965,713	100.00%



State Senator
James R. Baumgart

State Capitol: P. O. Box 7882, Madison, WI 53707
Toll-free: 1-888-295-8750 • E-Mail: sen.b

*Brian -
DVR has not
sent a request
for funding to
JFC. - should we have
LFB request
a response?*

August 22, 2000

Senator Brian Burke, Co-Chair
Joint Finance Committee

Representative John Gard, Co-Chair
Joint Finance Committee

Dear Senator Burke and Representative John Gard:

Due to a budgetary shortfall, the Department of Workforce Development announced, on July 31st, that the Division of Vocational Rehabilitation would close its doors to new clients. This decision is a tragedy for the disabled citizens of this state.

The Secretary of the Department of Workforce Development, Linda Stewart, has been openly criticized by Senators Robson, Jauch and Moore, for her failure to ask for an emergency appropriation from the Joint Committee on Finance through a section 13.10 request. I join with my colleagues in their concerns and I am deeply disturbed that Secretary Stewart did not take action months ago.

In view of the situation that now exists in the Department of Workforce Development with the resignation of Secretary Stewart and the departure of her deputy, Orlando Canto, and her executive assistant, Mark Liedl, I request that the Joint Finance Committee take action to address this shortfall. In order to correct this injustice to our disabled citizens, I ask that the Joint Finance Committee consider emergency funding for DVR at its meeting in September.

Sincerely,

Jim Baumgart
Jim Baumgart
State Senator
9th Senate District

JB:a
cc: Governor Thompson