



Legislative Fiscal Bureau

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June 1, 1999

Joint Committee on Finance

Paper #1080

TANF

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

Papers Regarding the Use of TANF Funding

The federal temporary assistance to needy families (TANF) program provides an annual block grant to Wisconsin of \$317.5 million, which is the primary funding source for the Wisconsin Works (W-2) program, the child care program and a number of other public assistance expenditures. In addition to ongoing programs, the Governor's budget bill would use TANF funds for several new initiatives within the Department of Workforce Development (DWD) and would transfer TANF revenues to a number of other agencies to support programs currently funded with state GPR or to create new programs. The attached appendix provides information about allowable uses of federal TANF funds, including the maintenance of effort provisions under the TANF program.

This office has prepared 35 papers regarding the use of TANF funds in DWD and other agencies. The first two papers, respectively, reestimate the 1999-01 ending TANF balance under the bill as recommended by the Governor and describe an option to use TANF funds to cover a portion of the state earned income tax credit. The remaining papers are grouped as follows:

W-2 Agency Contracts. The next five papers discuss funding for W-2 agency contracts, performance bonuses (profit) and the contracting process used by DWD.

Child Care. Four papers have been prepared on the child care subsidy program, funding for indirect child care activities and administration.

Other Current Programs in DWD and DHFS. Nine papers have been prepared regarding W-2 employment positions, kinship care, the supplemental security income (SSI) caretaker supplement and other current public assistance programs in DWD and the Department of Health and Family Services (DHFS).

New Programs in DWD. The next nine papers cover the proposed workforce attachment fund, community youth grants, early childhood excellence initiative and other new programs recommended by the Governor for DWD.

New Transfers to Other Agencies. Finally, five papers have been prepared on the Governor's proposals to transfer TANF revenues to fund programs administered by other agencies, and an additional paper is presented which discusses the use of TANF funding for immunization outreach.

The Committee will also be reviewing nine papers regarding the Governor's proposal to consolidate the state's school-to-work programs into a new Work-Based Learning Board. Three of these papers involve the use of TANF revenues. In addition, four papers have been prepared regarding other economic support provisions that do not directly involve TANF funds and four papers have been prepared regarding other employment, training and vocational rehabilitation programs in DWD.

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APPENDIX

General Provisions Regarding the Use of Funding Under the Temporary Assistance to Needy Families Program

The following sections outline the allowable uses of federal TANF funding and of State dollars that are used to meet the maintenance of effort requirement under the TANF program. As the single state audit agency, the Legislative Audit Bureau is responsible for the initial determination of whether expenditures of TANF funds have been used in an allowable manner.

Federal TANF Funding

Federal law and regulations specify that federal funding under the temporary assistance to needy families (TANF) program generally must be used to accomplish one or more of the following purposes: (a) to provide assistance to "needy" families so children may be cared for in their homes or in the homes of relatives; (b) to end the dependence of "needy" parents on government benefits by promoting job preparation, work and marriage; (c) to prevent and reduce the incidence of out-of-wedlock pregnancies; and (d) to encourage the formation and maintenance of two-parent families.

Generally, a "needy" family is a family whose income is at or below the income levels set by the state in the TANF plan submitted to the federal government. The final regulations provide states with broad authority to establish the income level at which a family is considered needy. Moreover, the state may establish different standards for different services. Although the state's child care program allows certain families to be eligible until their income reaches 200% of the federal poverty level, Wisconsin has not yet defined a needy family as having income above 200% of the federal poverty level for any program. The state could define a needy family above this level; however, the state must be able to justify that the income level chosen for a program is a low-income standard.

The final regulations make a distinction between expenditures that provide an ongoing cash benefit that is designed to meet a family's basic needs or is for other supportive services for families who are not employed (generally called "assistance"), and expenditures that are "non-assistance". Non-assistance generally includes: (a) nonrecurrent short-term benefits that are designed to deal with a specific crisis situation, are not intended to meet recurrent or ongoing needs and will not extend beyond four months; (b) work subsidies; (c) supportive services such as child care and transportation to families who are employed; (d) refundable earned income tax credits; (e) contributions to and distributions from individual development accounts; (f) services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement, and other employment-related services that

do not provide basic income support; and (g) transportation assistance provide under a job access or reverse commute project to an individual who is not otherwise receiving assistance.

Families who are receiving TANF "assistance" must cooperate in establishing paternity for each minor child and assign support rights to the state. The adult also must cooperate with work requirements. Families receiving assistance must include a minor child or pregnant individual. In addition, an adult may only receive TANF assistance for a maximum of 60 months. If an expenditure is made to provide "assistance" as a child-only benefit (as the Kinship Care program), the provisions regarding time limits and work requirements do not apply. However, families would still be required to assign any rights to child support to the state.

If the expenditure is classified as "non-assistance," the time limits and work requirements would not be imposed. In addition, the family would not be required to assign child support rights to the state. Depending upon the purpose of the expenditure, the family may not have to include a minor child or pregnant individual (for example, for expenditures that are intended to reduce the incidence of out-of-wedlock pregnancies).

Whether for assistance or non-assistance, federal law specifies that TANF funds may not be used to provide services to certain legal immigrants, depending upon the individual's immigration status and when the person entered the United States. In addition, TANF funds may not be used for medical services, except pre-pregnancy family planning services. States may use TANF funds for substance abuse treatment services to the extent that such services are not medical, and guidance from the federal government indicates that TANF funds may be used for outreach and education for medical services. Further, administrative costs may not exceed 15% of all TANF expenditures.

Finally, federal regulations for the TANF program indicate that extensive data reporting will have to be provided to the federal government with respect to expenditures for assistance. Data reporting for expenditures "non-assistance" will be much less extensive, however, in the case of an audit all expenditures will have to be shown to meet the TANF requirements. It should also be noted that federal law includes several penalties that may be imposed against the state for failing to meet various requirements of the TANF program, which are generally taken as a percentage of the TANF block grant. If the TANF block grant is reduced, the state must expend its own funds in the following fiscal year to replace the reduction in the grant.

Maintenance of Effort Provisions

Under federal law, Wisconsin must spend \$168.8 million annually to meet the Maintenance of Effort (MOE) requirement. In order to count toward the MOE requirement, expenditures must be made for "eligible families." Eligible families must meet the income requirements for needy families under the TANF program, and must have a minor child living with a parent or other caretaker relative, or include a pregnant individual. An eligible family may include a noncustodial parent, if the custodial parent and minor child are eligible for TANF assistance.

Expenditures for eligible families that may count toward the MOE include: (a) cash assistance; (b) child care assistance; (c) educational activities to increase self-sufficiency and work; or (d) any other use of funds that would accomplish the purposes of the TANF program. Expenditures on educational activities may not include public education expenditures unless the expenditure is for services or assistance to a member of an eligible family and is not generally available to persons who are not members of eligible families. In addition, administrative costs may not exceed 15% of total expenditures.

States may count expenditures for the above activities in state or local programs but only to the extent that: (a) expenditures for eligible families exceed total state expenditures in the program during federal fiscal year (FFY) 1995; (b) the state was entitled to payment for the expenditures under the former aid to families with dependent children (AFDC), job opportunities and basic skills (JOBS), Child Care, or Emergency Assistance programs. Unlike TANF expenditures, states may count toward the MOE requirement allowable expenditures on lawfully present immigrants and expenditures for medical services. Further, states do not have to comply with provisions related to work requirements, time limits or the assignment of child support.

Expenditures for eligible families that count toward the MOE may not include expenditures of any dollars originating with the federal government, any state funds used to match federal funds, or any state funds spent as a condition of receiving federal funds. In addition, any state funds expended for Medicaid under Title XIX may not count toward the TANF maintenance of effort requirement.

Under federal law, the state's basic TANF grant will be reduced by the amount, if any, by which qualified state expenditures in the previous year are less than the MOE requirement. If the TANF grant is reduced in a fiscal year, the state must expend additional state revenues in the following year equal to the amount of the reduction. In addition, if a state receives a welfare-to-work (WtW) formula grant and fails to meet the TANF maintenance of effort, the amount of the TANF block grant will be reduced in the following year by an amount equal to the WtW grant (approximately \$12.9 million in Wisconsin).



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Joint Committee on Finance

Paper #1081

TANF

Revised Estimates and Technical Modifications for W-2 and Related Programs and other Expenditures of Federal TANF Funds (DWD -- Economic Support and Child Care)

[LFB 1999-01 Budget Summary: Page 677, #1, Page 679, #3, Page 679, #4, Page 684, #12,
Page 692, #27, Page 693, #30, Page 701, #53, Page 708, #62]

INTRODUCTION

The purpose of this paper is to establish a projected ending balance in federal funding from the temporary assistance to needy families (TANF) block grant. The Committee has elected to work from the Governor's recommended funding levels in Assembly Bill 133 for items related to the Wisconsin Works (W-2) and child care programs and other TANF expenditures. However, according to an April 15, 1999, letter from the Department of Administration, certain items included in the Governor's proposed revenues and expenditures contain inadvertent errors. This office has also prepared revised estimates of certain expenditures based on the most recent information available. In addition, the balance in TANF funds at the end of the 1999-01 biennium is dependent upon the ending TANF balance from the 1997-99 biennium. This paper, therefore, also addresses revised estimates of 1998-99 expenditures.

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

Table 1 shows estimated revenues and expenditures for W-2 and other public assistance programs under the budget bill. The table compares the administration's figures with the revised estimates prepared by this office. The revised revenue and expenditure estimates are discussed in more detail in the sections following the table.

TABLE 1

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

	Governor		Revised Estimates		Difference	
	FY 2000	FY 2001	FY 2000	FY 2001	FY 2000	FY 2001
REVENUES						
Current GPR Appropriations	\$147,991,300	\$147,857,700	\$147,991,300	\$147,857,700	-	-
Current PR Appropriations	1,281,300	1,281,300	1,214,600	1,214,600	-\$66,700	-\$66,700
Federal TANF Block Grant	317,505,200	317,505,200	317,505,200	317,505,200	-	-
Federal Child Care Block Grant	39,314,000	39,311,400	39,314,000	39,311,400	-	-
Food Stamp Employment and Training	7,000,000	7,000,000	7,000,000	7,000,000	-	-
Other Federal Funds	9,359,100	9,359,100	9,359,100	9,359,100	-	-
Child Support Collections	28,226,800	28,226,800	37,959,100	38,628,900	9,732,300	10,402,100
Carryover from Previous SFY	<u>133,046,300</u>	<u>69,150,200</u>	<u>130,912,500</u>	<u>65,441,300</u>	<u>-2,133,800</u>	
Total Revenues	\$683,724,000	\$619,691,700	\$691,255,800	\$626,318,200	\$7,531,800	\$10,335,400
EXPENDITURES						
W-2 Agency Contract Allocations						
Subsidized Employment Benefits	\$101,924,900	\$85,584,900	\$101,924,900	\$85,584,900	-	-
Administration/Ancillary Benefits	128,178,600	143,415,100	128,178,600	143,415,100	-	-
Long-Term and Refugee Supplement	3,983,800	-	3,983,800	-	-	-
Start-Up Funding	7,184,400	-	7,184,400	-	-	-
State Share of Profit	-90,000,000	-	-95,000,000	-	-\$5,000,000	-
Contingency Fund and Contract Reserve	90,000,000	-	90,000,000	-	-	-
Milwaukee Private Industry Council	1,500,000	1,000,000	1,500,000	1,000,000	-	-
Other Admin. Services, Milwaukee	3,257,400	-	3,257,400	-	-	-
Child Care						
Direct Child Care Services	154,550,900	161,325,000	168,280,900	180,300,000	13,730,000	\$18,975,000
Indirect Child Care Services	18,978,700	16,834,000	18,978,700	16,834,000	-	-
Other Benefits						
Kinship Care	26,322,200	26,618,500	26,322,200	26,618,500	-	-
Caretaker Supplement	9,173,200	11,066,900	9,171,300	11,042,600	-1,900	-24,300
Emergency Assistance	3,300,000	3,300,000	3,300,000	3,300,000	-	-
Job Access Loans	600,000	600,000	600,000	600,000	-	-
Food Stamps for Qualified Aliens	420,000	420,000	420,000	420,000	-	-
Employment Skills Grants	100,000	100,000	100,000	100,000	-	-
Child Support Related to W-2						
Child Support Payments	24,564,700	26,271,700	27,077,300	30,255,200	2,512,600	3,983,500
Children First	1,316,400	1,316,400	1,316,400	1,316,400	-	-
Hospital Based Paternity Incentives	91,900	91,900	91,900	91,900	-	-
Other Ongoing Expenditures						
Transfer to DHFS/Community Aids	\$31,800,000	\$18,092,300	\$31,800,000	\$18,086,200	-	-\$6,100
State Administration	27,500,000	27,500,000	27,500,000	27,500,000	-	-
Faith Works	25,000	-	25,000	-	-	-
Partnership for Full Employment	3,513,300	3,513,300	3,513,300	3,513,300	-	-
Burials	3,300,000	3,300,000	3,300,000	3,300,000	-	-
Youth Programs	2,981,800	6,084,500	2,981,800	6,084,500	-	-
Transportation	2,000,000	2,000,000	2,000,000	2,000,000	-	-
Transportation Recovery	-1,800,000	-	-1,800,000	-	-	-
Fraud and Front-End Verification	661,400	661,400	661,400	661,400	-	-
Passports for Youth	300,000	-	300,000	-	-	-
WI Economic Development Initiative	100,000	100,000	100,000	100,000	-	-
Milwaukee County Liaison	54,100	54,100	54,100	54,100	-	-

TABLE 1 (continued)

	Governor		Revised Estimates		Difference	
	FY 2000	FY 2001	FY 2000	FY 2001	FY 2000	FY 2001
New Expenditures In Workforce Development						
Workforce Attachment Fund	\$10,000,000	\$20,000,000	\$10,000,000	\$20,000,000	-	-
Early Childhood Excellence Initiative	10,000,000	10,000,000	10,000,000	10,000,000	-	-
Community Youth Grants	5,000,000	15,000,000	5,000,000	15,000,000	-	-
Income Maintenance for BadgerCare	4,500,000	4,500,000	4,500,000	4,500,000	-	-
Literacy Initiative -- DWD	2,100,000	2,100,000	2,100,000	2,100,000	-	-
AODA Initiative	1,000,000	1,000,000	1,000,000	1,000,000	-	-
Individual Development Accounts	650,000	650,000	650,000	650,000	-	-
Nutritional Services	500,000	500,000	500,000	500,000	-	-
Fatherhood Initiative	75,000	-	75,000	-	-	-
Workforce Mentors	55,000	55,000	55,000	55,000	-	-
New Transfers to Other Agencies						
Head Start	9,900,000	9,900,000	9,900,000	9,900,000	-	-
Aid to Milwaukee Public Schools	7,570,000	7,570,000	7,570,000	7,570,000	-	-
Brownfields Adolescent Services/	5,000,000	5,000,000	5,000,000	5,000,000	-	-
Pregnancy Prevention	1,806,400	1,806,400	1,806,400	1,806,400	-	-
Badger Challenge	332,700	332,700	332,700	332,700	-	-
Early Identification of Pregnancy	100,000	100,000	100,000	100,000	-	-
DER State Recruiter	52,000	52,000	52,000	52,000	-	-
Literacy Advocate and Grants--Governor	50,000	50,000	50,000	50,000	-	-
Total Expenditures	\$614,573,800	\$617,866,100	\$625,814,500	\$640,794,200	\$11,240,700	\$22,928,200
Balance in Federal TANF Funds	\$69,150,200	\$1,825,600	\$65,441,300	-\$14,476,000		

As shown in the table, revenues available for the W-2 program, child care and other related programs are now estimated at \$691.3 million in 1999-00 and \$626.3 million in 2000-01. These amounts are higher than the administration's estimates by \$7.5 million in the first year and \$10.3 million in the second year. Expenditures under the bill are currently estimated at \$625.8 million in 1999-00 and \$640.8 million in 2000-01. Compared to the administration's figures, these amounts are higher by \$11.2 million in 1999-00 and \$22.9 million in 2000-01.

As a result of these modifications, the balance in federal TANF funding at the end of the biennium under the bill is currently estimated at a deficit of \$14.5 million.

REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

Current PR Appropriations. Under the Governor's proposal, the estimated amount of program revenue from job access loan repayments was overstated by \$66,700 annually.

Child Support Collections. Child support collections assigned to the state by public assistance recipients are now estimated at \$38.0 million in 1999-00 and \$38.6 million in 2000-01. These amounts are higher than the administration's estimates by \$9.7 million in 1999-00 and \$10.4 million in 2000-01 due to more recent actual collections data and a revised estimate of the federal hold harmless payment.

Carryover of TANF Funds from 1998-99 to 1999-00. The estimated carryover of TANF funding from 1998-99 to 1999-00 is \$130.9 million. This amount is lower than the original estimate under the bill by \$2.1 million. This difference results from several revised estimates of 1998-99 revenues and expenditures.

First, it is estimated that direct child care expenditures will be higher by \$13.4 million in 1998-99 compared to the administration's earlier estimates, and indirect child care expenditures will be higher by \$1.2 million. The higher estimate for direct expenditures is due to more recent information on the actual level of expenditures. The higher estimate associated with the indirect program is due to additional spending authority for child care activities that was provided due to the reduction in the federal social services block grant.

Second, based on more recent collections and expenditure data and a revised estimate of the hold harmless payment, child support collections are estimated at \$40.7 million in 1998-99 and child support payments are estimated at \$24.1 million. These amounts are higher than the administration's original estimates by \$10.7 million and \$1.2 million, respectively.

In addition, more recent information indicates that kinship care payments will be lower than originally estimated by \$2.3 million in 1998-99. Also, the Department of Health and Family Services (DHFS) has reestimated expenditures for the caretaker supplement, resulting in increased expenditures over the administration's earlier estimates of approximately \$1.0 million. Finally, several minor revised estimates were made for federal revenues under the food stamp employment and training program, and for emergency assistance, the partnership for full employment and burial expenses.

EXPENDITURES FOR W-2 AND RELATED PROGRAMS

State Share of Profit Return. Based on more recent expenditure data through February, 1999, it is estimated that the portion of unexpended funding from the current W-2 agency contracts that would be returned to the state will be \$95.0 million, rather than the \$90.0 million estimated by the administration.

Direct Child Care. Direct child care expenditures under the Governor's proposal are currently estimated at \$168.3 million in 1999-00 and \$180.3 million in 2000-01. These amounts are higher than the funding included in the bill by \$13.7 million in 1999-00 and \$19.0 million in 2000-01. The higher estimates are primarily due to a revised calculation of program costs under current law. More information on these new estimates is included in a separate issue paper.

Caretaker Supplement. Funding for the caretaker supplement is lower by \$1,900 in 1999-00 and \$24,300 in 2000-01, as compared to the bill. These funds are transferred to a PR-S appropriation in DHFS. This modification would provide consistency between the amount transferred from DWD and the amount indicated in the DHFS appropriation that receives these funds.

Child Support Payments. Based on more recent data, child support payments are estimated at \$27.1 million in 1999-00 and \$30.3 million in 2000-01. These amounts are higher compared to the administration's estimates by \$2.5 million in 1999-00 and \$4.0 million in 2000-01.

Transfer to the Social Services Block Grant (Community Aids). The amount of funding transferred to DHFS for the social services block grant is reduced by \$6,100 in the second year to make the amount transferred from DWD consistent with the figure shown in the PR-S appropriation in DHFS.

ENDING TANF BALANCE

As indicated in Table 1, the 2000-01 ending TANF balance under the provisions recommended by the Governor is now estimated to be a deficit of \$14.5 million. This assumes that funding for child care subsidies would be increased by the Committee to fully fund the current program and the modifications regarding eligibility and copay requirements included in the bill.

Two other points are important to note about the estimated closing balance. First, the expenditure estimates include a \$90 million contingency fund for W-2 agency contracts and a \$9 million child care reserve, as recommended by the Governor. If these items were not included in the expenditure estimates, the ending balance would be a positive \$84.5 million rather than a \$14.5 million deficit. Second, a separate paper has been prepared that includes an alternative to fund a portion of the state earned income tax credit with TANF revenues. If the Committee elects to adopt such a proposal, the ending TANF balance would be reduced significantly.

In addition to the estimated \$14.5 million deficit at the end of 2000-01, the Committee should be aware of the structural imbalance in the W-2 program under the bill. Using the revised estimates, ongoing revenues would be \$560.9 million and ongoing spending commitments would be \$640.8 million annually. [The \$560.9 million is \$626.3 million in total revenue in 2000-01 less the \$65.4 million carryover from the previous fiscal year.] Therefore, the bill would create a structural imbalance of \$79.9 million per year that would have to be addressed in the 2001-03 biennium. This deficit would be partially offset in the 2001-03 biennium if a portion of the proposed contingency reserve is carried over, but program modifications would eventually be necessary to bring spending in line with estimated revenues.

UNALLOCATED AND UNAVAILABLE FEDERAL FUNDING

DWD's appropriations for the federal TANF and child care block grants were overstated by \$62,921,700 in 1999-00 and \$76,629,400 in 2000-01 under the bill. When determining the appropriation amounts, the administration inadvertently double-counted certain federal funding that would be transferred from the TANF block grant to the child care block grant. In addition, certain standard budget adjustments and other expenditure items affecting those appropriations were double-counted. In a separate item, the administration inadvertently underestimated the amount of federal revenue that would be used as a match for county expenditures for income maintenance by \$5,238,800 annually. As a result, the amount of funding actually available for the W-2 and child care programs is overstated in the Department's appropriations for federal block grants, and understated in the Department's appropriations for federal local assistance programs. It should be noted that the revenues and expenditures shown in the table, and the ending TANF balance, are not affected by these technical oversights. However, the appropriation schedule should be adjusted to reflect these modifications.

MODIFICATION

Modify the Governor's proposal to account for the following inadvertent errors and reestimates as described above: (a) a decrease of \$66,700 annually in program revenue from repayments of job access loans; (b) an increase in child support program revenue of \$9,732,300 in 1999-00 and \$10,402,100 in 2000-01; (c) a decrease of \$2,833,800 in 1999-00 in carryover funding from 1998-99; (d) an increase of \$5,000,000 in 1999-00 in the amount of funding retained by the state from the profit formula under the W-2 agency contracts; (e) a decrease in expenditures of \$1,900 in 1999-00 and \$24,300 in 2000-01 for the caretaker supplement; (f) an increase in expenditures of \$2,512,600 in 1999-00 and \$3,983,500 in 2000-01 for child support payments; (g) a decrease in funding transferred to DHFS for the social services block grant of \$6,100 in 2000-01; (h) a reduction in DWD's appropriations for the federal TANF and child care block grants of \$62,921,700 in 1999-00 and \$76,629,400 in 2000-01 to account for an inadvertent error; and (i) an increase in DWD's appropriation for federal local assistance by \$5,238,800 annually. [Funding to account for the revised estimates of the cost of the child care program is addressed in a separate paper.]

Modification	FED	PR	TOTAL
1999-01 FUNDING (Change to Bill)	- \$147,610,700	\$20,001,000	- \$127,609,700

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Joint Committee on Finance

Paper #1082

TANF

Earned Income Tax Credit Current Law Reestimate and Option to Use TANF Funds (General Fund Taxes -- Individual and Corporate Income Taxes)

[LFB 1999-01 Budget Summary: Page 25, #4 and Page 697, #45]

CURRENT LAW

The state earned income tax credit (EITC) is paid from a sum sufficient GPR appropriation. The credit provides a supplement to the wages and self-employment income of lower-income workers with children living with them. The credit is refundable; if the amount of the credit exceeds tax due, a check from the state is issued for the difference. The state credit is calculated as a percentage of the federal EITC as follows: 4% for families with one child; 14% for families with two children; and 43% for families three or more children.

The federal temporary assistance to needy families (TANF) program provides an annual block grant to Wisconsin of \$317.5 million, which is the primary funding source for the Wisconsin Works (W-2) program and other public assistance expenditures. In order to receive the TANF block grant, the state is required to contribute a certain amount of funding (\$168.8 million annually) under federal maintenance of effort (MOE) provisions.

GOVERNOR

Decrease funding by \$2,500,000 GPR in 1999-00 and increase funding by \$3,500,000 GPR in 2000-01 for estimated costs of the EITC. Total funding would be \$74,000,000 in 1999-00 and \$80,000,000 in 2000-01. This funding level includes \$2,000,000 in each year to reflect a November, 1998, Internal Revenue Service ruling that gains realized on the sale of property used in a trade or business are not counted as investment income for purposes of the credit. This ruling

restores eligibility to individuals (particularly farmers) who were not previously able to claim the credit due to the limitation on investment income.

DISCUSSION POINTS

Reestimate

1. The cost of the EITC is now estimated to total \$72,200,000 in 1999-00 and \$76,400,000 in 2000-01, based on additional information regarding current claims of the credit. These amounts are lower than the Governor's estimates by \$1,800,000 in 1999-00 and \$3,600,000 in 2000-01.

Use of TANF for the EITC

2. According to the final federal regulations for the TANF program, which were released on April 12, 1999, a portion of the state EITC could be funded with federal TANF dollars. Specifically, TANF funding may be used to cover the share of the EITC that is refunded to the claimant (rather than used to reduce the claimant's income tax liability). An additional restriction is that TANF funds may not be used to provide the credit to certain legal immigrants. The regulations specify that the EITC is not considered a form of "assistance" under the TANF program. Therefore, funding a share of the EITC with TANF dollars would not subject EITC recipients to federal work requirements, the 60-month time limit on receipt of assistance or the requirement that child support rights be assigned to the state.

2. During the past several years, the refundable share of the EITC has accounted for approximately 85% of the total cost of the credit. Information on the amount of credits paid to legal immigrants is not available; however, this is likely a small share of the total payments. If the 85% share was reduced to 80% to provide a cushion to account for credits paid to legal immigrants, a total of \$58,000,000 in 1999-00 and \$61,000,000 in 2000-01 in EITC expenditures could be funded with TANF revenues instead of state GPR. The remaining portion of the credit (\$14,200,000 in the first year and \$15,400,000 in the second year) would continue to be funded with GPR. This would free up funds that the Legislature could appropriate without having to consider the federal restrictions on the use of TANF revenues, which would provide significantly greater flexibility in budgeting these monies.

3. This funding transfer could be accomplished by creating an annual PR-S appropriation consisting of TANF revenues transferred from the Department of Workforce Development (DWD) to fund the share of the EITC permitted under federal law. In addition, the current GPR appropriation for the EITC could be modified to cover the remaining costs of the credit. The PR-S appropriation amounts could be set at \$58,000,000 in 1999-00 and \$61,000,000 in 2000-01, based on the 80% share outlined above.

TANF Maintenance of Effort Requirement

4. The Governor's budget bill assumes that \$15,300,000 in 1999-00 and \$16,800,000 in 2000-01 of state expenditures for the EITC will be counted toward the maintenance of effort requirement under the federal TANF provisions. These amounts could not be counted for the MOE requirement if TANF revenues were used for the EITC as described above. Therefore, \$15,300,000 in 1999-00 and \$16,800,000 in 2000-01 of the resulting GPR savings would need to be added to DWD's appropriation for public assistance benefits and administration.

5. The administration's calculation of allowable MOE expenditures also included a portion of the homestead credit, the pass-through of child support to W-2 participants and certain other state expenditures. Based on more recent information, it now appears that the amount of these expenditures that could be counted for the MOE requirement will be lower than the administration's estimates by \$6,500,000 in 1999-00 and \$1,400,000 in 2000-01. The Committee could also increase DWD's appropriation by these amounts to ensure that the Department could meet the federal MOE requirement.

6. In addition, the bill would provide \$4,500,000 in each year to increase funding in the county income maintenance contracts for providing services under the BadgerCare program. The administration's intent was to provide these monies from DWD's GPR appropriation and count the expenditures for the TANF MOE requirement. However, since the bill was introduced, it has been learned that these expenditures could not be counted for MOE purposes. An alternative would be to fund these costs with medical assistance administrative funding, which is eligible for a 50% federal match. The net impact of this modification would be to increase GPR appropriations in DWD by \$2,250,000 in each year. The BadgerCare expenditures would be funded with these monies and matching federal funds. Because the \$4,500,000 that had been budgeted for BadgerCare would instead be available for W-2 expenditures, the ending TANF balance would increase by \$4,500,000 in each year.

7. With all three of these adjustments, the general fund would still realize net savings of \$33,950,000 in the first year and \$40,550,000 in the second year. These amounts would be in addition to the \$5,400,000 savings from the current law reestimate.

8. If the Committee elects to not fund a portion of the EITC with TANF revenues, DWD's GPR appropriation would still need to be adjusted to make it consistent with the federal MOE requirement. Based on more recent information, it appears that \$11,600,000 in 1999-00 and \$15,100,000 in 2000-01 of GPR expenditures for the EITC could be counted for MOE purposes if the credit were not funded with TANF. These amounts are lower than the administration's estimates by \$3,700,000 in the first year and \$1,700,000 in the second year. With this revision and the other two adjustments outlined above, DWD's appropriation would have to be increased by \$12,450,000 GPR in 1999-00 and \$5,350,000 GPR in 2000-01.

Separate Legislation for 1998-99

9. The Legislature could also adopt a separate bill to use TANF to fund a portion of the EITC in the 1998-99 fiscal year. After accounting for MOE adjustments, this option would result in estimated net savings to the general fund of \$33,700,000, which would be carried over in the 1999-00 opening balance. This provision is included in AB 354, which was passed by the Assembly on May 19, 1999. If the separate bill does not pass, these provisions could be incorporated into the budget bill. The Legislative Audit Bureau indicates that it would be necessary to adopt any modifications relating to funding the credit in the current fiscal year by September 30, 1999, the close of the 1998-99 federal fiscal year.

Ending TANF Balance

10. Based on a number of revised estimates submitted by the administration and prepared by this office, it is currently estimated that the 2000-01 ending balance in TANF funds would be a deficit of \$14.5 million if the child care program were fully funded and none of the other provisions recommended by the Governor were modified. If TANF funds were used for the EITC in both years of the next biennium as described above, the deficit would increase to \$84.5 million. If separate legislation were also passed to use TANF in the current fiscal year, the ending deficit would be approximately \$118.2 million. Therefore, some of the funding recommended by the Governor for W-2 and other programs funded with TANF would have to be reduced to offset this shortfall. Alternatively, some of the GPR savings could be used to fund these programs or a smaller portion of the EITC could be funded with TANF.

11. In considering potential reductions, the Committee should note that the bill includes a \$90 million contingency fund in DWD for unforeseen W-2 expenditures, as well as a \$9 million child care contingency fund. These reserve funds would offset a large portion of the projected deficits. In addition, the bill includes a number of new initiatives in DWD and other agencies that involve considerable amounts of funding. These proposals are addressed in separate papers.

12. Another option would be to access some or all of the matching component of the federal child care block grant. Under the bill, the Governor elected to not access these funds. If the state chose to obtain these federal revenues, a total of \$20.2 million in 1999-00 and \$23.8 million in 2000-01 would be available. However, GPR funding of \$14.2 million in the first year and \$16.7 million in the second year would have to be appropriated as a state match. In total, this would increase funding for W-2 by \$34.4 million in 1999-00 and \$40.5 million in 2000-01. The state could provide a lower amount of GPR funding in order to access a portion of the federal revenues. This alternative is included in a separate paper on child care eligibility and copayments.

13. Finally, it should be noted that TANF block grants have been authorized by the federal government through federal fiscal year 2002. Because public assistance caseloads have fallen significantly since the TANF provisions were enacted, it is possible that the federal government could reduce TANF funding in subsequent years. Further, the U.S. Senate has already considered rescinding unobligated federal TANF funds. Therefore, TANF revenues could be

viewed as a more uncertain long-term funding source for the EITC than state GPR. In addition, allocating TANF for the EITC could make it more difficult to fund the W-2 program in future years. On the other hand, it could be argued that obligating a significant amount of TANF revenues for the EITC would make it less likely that the federal government would reduce these funds.

ALTERNATIVES

EITC Reestimate

1. Decrease funding for the EITC by \$1,800,000 GPR in 1999-00 and \$3,600,000 GPR in 2000-01 to reflect a reestimate of funding needed for the credit.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 FUNDING (Change to Bill)	- \$5,400,000

1999-01 TANF Funding

2. Provide \$58,000,000 in 1999-00 and \$61,000,000 in 2000-01 in a newly created annual PR-S appropriation consisting of TANF revenues transferred from DWD to fund the share of the EITC permitted under federal law. Decrease GPR funding for the EITC by the same amounts and specify that the GPR appropriation would be used to cover the costs of the credit that are not paid from the TANF appropriation. Increase DWD's appropriation for public assistance benefits and administration by \$24,050,000 GPR in the first year and \$20,450,000 GPR in the second year to provide adequate funds to cover the TANF MOE requirement and BadgerCare income maintenance. Federal TANF funds currently allocated to W-2 would be reduced by \$24,050,000 in 1999-00 and \$20,450,000 in 2000-01 to account for DWD's increased GPR funding.

<u>Alternative 2</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	- \$74,500,000	\$74,500,000	\$119,000,000	\$119,000,000

1998-99 TANF Funding

3. Provide \$58,000,000 in 1998-99 in a newly created annual PR-S appropriation consisting of TANF revenues transferred from DWD to fund the share of the EITC permitted under federal law. Decrease GPR funding for the EITC by the same amount and specify that the GPR appropriation would be used to cover the cost of the credit that is not paid from the TANF appropriation. Increase DWD's appropriation for public assistance benefits and administration by \$24,300,000 GPR in 1998-99 to provide adequate funds to cover the TANF MOE requirement. Federal TANF funds currently allocated to W-2 would be reduced by \$24,300,000 to account for DWD's increased GPR funding. This option, which is similar to AB 243, would increase the 1999-

00 opening balance in the general fund by \$33,700,000 and decrease the opening TANF balance by the same amount.

<u>Alternative 3</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
1998-99 FUNDING (Change to Bill)	- \$33,700,000	\$33,700,000	\$58,000,000	\$58,000,000
1999-01 REVENUE (Change to Bill)	\$33,700,000	- \$33,700,000	\$0	\$0

Maintenance of Effort Funding

4. Increase DWD's appropriation for public assistance benefits and administration by \$12,450,000 GPR in 1999-00 and \$5,350,000 GPR in 2000-01 to make the Department's funding consistent with the maintenance of effort obligation under the federal TANF provisions and provide funding for BadgerCare administration. This option would be necessary if the Committee does not adopt Alternative 2 to use TANF to fund a portion of the EITC. The increased GPR would result in an offsetting reduction in TANF expenditures.

<u>Alternative 4</u>	<u>GPR</u>	<u>FED</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	\$17,800,000	-\$17,800,000	\$0

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Joint Committee on Finance

Paper #1083

TANF

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

[LFB 1999-01 Budget Summary: Page 680, #5]

CURRENT LAW

Under current law, \$251,665,500 in 1997-98 and \$294,882,100 in 1998-99 was budgeted in the Department of Workforce Development (DWD) to contract with counties or private agencies to administer the Wisconsin Works (W-2) program. These amounts include subsidized employment benefits, office costs, funding for a long-term and refugee supplement and a reserve for benefit payments for Milwaukee County.

As a general provision, state law authorizes DWD to award a contract to any person to administer the W-2 program in a geographical area determined by DWD on the basis of a competitive process approved by the Department of Administration (DOA). The contract period must be for a term of at least two years. The initial W-2 agency contracts covered the period from September 1, 1997, through December 31, 1999.

The Department is required to establish performance standards for the administration of W-2. If a W-2 agency does not meet these standards, DWD may withhold any or all payment from the agency.

GOVERNOR

Provide \$234,087,300 in 1999-00 and \$229,000,000 in 2000-01 for W-2 agency contract allocations. These amounts are lower than the base funding level by \$60,794,800 in the first year and \$65,882,100 in the second year. The funding would cover W-2 benefits, administration, ancillary services and agency performance bonuses (profits). As noted, the current W-2 agency

contracts expire on December 31, 1999. The next contracts will cover the period January 1, 2000, through December 31, 2001. Therefore, the budget bill includes six months of funding for the remainder of the existing contracts and 18 months of funding for the new contracts. The last six months of the new contracts will be funded in the 2001-03 biennial budget.

Table 1 presents additional detail regarding the Governor's recommendation. The first part of the table shows the proposed funding amounts for each of the two contract periods. The second portion of the table shows total funding for each expenditure category in the 1999-01 biennium without regard to the contract period.

TABLE 1
W-2 Agency Contract Allocations Under AB 133

	<u>1999-00</u>	<u>2000-01</u>
A. Allocations by Contract Period		
Current Agency Contracts (Six Months)		
Benefit Allocation	\$59,132,400	\$0
Administration and Services Allocation	56,471,100	0
Long-Term and Refugee Supplement	<u>3,983,800</u>	<u>0</u>
Subtotal*	\$119,587,300	\$0
New Agency Contracts (18 Months)		
Benefit Allocation	\$42,792,500	\$85,584,900
Administration and Services Allocation	64,216,800	128,433,800
Performance Bonuses (Profit)	<u>7,490,700</u>	<u>14,981,300</u>
Subtotal	\$114,500,000	\$229,000,000
Total	\$234,087,300	\$229,000,000
B. Allocations by Expenditure Category		
Benefits	\$101,924,900	\$85,584,900
Administration and Services	120,687,900	128,433,800
Long-Term and Refugee Supplement	3,983,800	0
Performance Bonuses (Profit)	<u>7,490,700</u>	<u>14,981,300</u>
Total	\$234,087,300	\$229,000,000

*There is no separate allocation for profit under the current contracts.

Although not shown in Table 1, overall, funding for subsidized employment benefits would decrease by \$75,053,100 in 1999-00 and \$91,393,100 in 2000-01, compared to base funding of \$176,978,000. This reflects caseload declines that have occurred since the initial contracts were awarded. Funding for administration and ancillary services (including

performance bonuses) would increase by \$14,258,300 in 1999-00 and \$25,511,000 in 2000-01, over the base funding level of \$117,904,100.

DISCUSSION POINTS

1. This paper addresses the contract allocations for the next W-2 agency contracts. The Governor's proposal also includes provisions related to the W-2 contracting process and the performance-based incentives for accessing profit under the contracts. These two issues are discussed in separate papers.

Overall Funding Levels

2. Total funding under the current W-2 agency contracts statewide for the 28-month contract period is \$685,166,900. This includes subsidized employment benefits, office costs and funding for the long-term and refugee supplement. In addition, the funding amounts include \$18.2 million in a benefit reserve that was provided to the W-2 agencies in Milwaukee County and supplemental administrative funding in Milwaukee County. On a 24-month basis, the \$685,166,900 amount is equivalent to \$587,285,900.

3. The total dollar amount included in the request for proposals (RFP) for the next W-2 agency contracts is \$428,037,400, a decrease of 27.1% compared to the current 24-month W-2 agency contract amount. The RFP includes \$287,514,500 in administration and indirect services, and \$140,522,900 for cash benefits for subsidized employment placements. In addition to these amounts, \$29,962,600 is budgeted for performance bonuses, or profit.

4. The contract allocations by agency as proposed in the RFP are outlined in Attachment 1. As shown, total allocations for the 24-month contract period range from \$150,000 in Florence and Iron Counties to \$55.1 million in Region 3 of Milwaukee County (currently operated by Opportunities Industrialization Center of Greater Milwaukee).

5. The RFP was finalized after introduction of the budget bill. The total statewide funding amount used in the RFP is the same as the amount included in the bill. However, the RFP would shift \$7,661,800 in 1999-00 and \$15,313,400 in 2000-01 from the allocation for benefits to the administrative allocation. This occurred because the Department based the benefit allocation in the RFP on the February 1999, caseload, which was lower than the caseload used in preparing the budget estimates (August 1998). Rather than reduce funding by these amounts, the Department decided to add the surplus to the administrative allocation. If the Committee approves the overall funding amounts recommended by the Governor, the specific allocations included in the bill for benefits and administration should be adjusted to reflect this funding shift. The adjusted funding amounts are shown in Table 2. More information on the assumptions used in developing the RFP is presented in the following section.

TABLE 2**W-2 Agency Contract Allocations
For the New W-2 Agency Contracts**

	<u>1999-00</u>		
	<u>AB 133</u>	<u>RFP</u>	<u>Difference</u>
Benefit Allocation	\$42,792,500	\$35,130,700	-\$7,661,800
Administration and Services Allocation	64,216,800	71,878,600	7,661,800
Performance Bonuses (Profit)	<u>7,490,700</u>	<u>7,490,700</u>	<u>0</u>
Total	\$114,500,000	\$114,500,000	\$0
	<u>2000-01</u>		
	<u>AB 133</u>	<u>RFP</u>	<u>Difference</u>
Benefit Allocation	\$85,584,900	\$70,271,500	-\$15,313,400
Administration and Services Allocation	128,433,800	143,747,200	15,313,400
Performance Bonuses (Profit)	<u>14,981,300</u>	<u>14,981,300</u>	<u>0</u>
Total	\$229,000,000	\$229,000,000	\$0

Development of the RFP

6. The RFP allocations developed by the Department include caseload assumptions regarding W-2 subsidized employment cases, food stamp employment and training (FSET) program cases served by the W-2 agencies, noncustodial parent cases, cases diverted to other resources and eligibility determinations for the child care program. Although the W-2 caseload has dropped significantly since implementation of the program, the caseload decline has slowed in the past several months. The allocations included in the RFP were designed to factor in the lower caseload levels, but also provide agencies with the ability to absorb caseload fluctuations that could occur due to unexpected events. As a result, the formulas included in the RFP for benefits assume constant caseloads over the next contract period.

7. The Department estimated administrative and services costs on a per participant basis for various service activities provided by the W-2 agencies. The number of participants was based on the August, 1998, caseload. These services included: (a) alcohol and other drug treatment and testing; (b) food stamp employment and training services; (c) supportive services for non-cash W-2 cases; (d) supportive services for W-2 cash benefit cases; and (e) overhead. The Department also factored in an adjustment for smaller offices. These calculations were not done for each W-2

agency; rather, they were estimated statewide. Under this methodology, the Department estimated the total amount needed for W-2 benefits and administrative costs for the 24-month contract period at \$428.0 million. To provide for performance bonuses, an additional 7%, or \$30.0 million was added to this amount for a total of \$458.0 million.

8. The Department then allocated these total amounts to individual counties under a formula that accounted for variations in service levels to the different caseload populations. The following weights were applied to each type of case: (a) 1.75 for W-2 cash benefit cases; (b) 1.25 for W-2 case management or FSET cases; (c) 1.0 for diversion and noncustodial parent cases; and (d) 0.6 for child care cases. Each agency's weighted score was used to determine the administrative allocation for the agency. Agencies that had a large number of refugee cases or cases that involve more intensive assistance received additional funding. The intensive assistance supplement was provided to 26 agencies that had more than 10 cash benefit cases and that had the highest percentage of cases that included either a disabled family member or an adult who had not completed high school. A total of \$2,000,000 was included for refugee cases and a total of \$20,000,000 was included for intensive assistance cases.

9. The benefit allocations were based on the subsidized employment caseload for each agency as of February, 1999. Each agency was assumed to have at least one subsidized employment case for each month over the 24-month contract period. In addition, 17 agencies received a small office adjustment, so that the total allocation for these agencies ranged from \$150,000 to \$500,000. The small office supplement was calculated by rounding the total allocation up to the nearest \$50,000 for these agencies.

10. The following sections provide more detailed information regarding the administrative and services allocation and the benefits allocation under the request for proposals. It should be noted that, if the Committee reduces or increases funding for administrative services or benefits, the amount provided for profit would also be reduced or increased by 7% of the change. Changes to the dollar amounts of profit or performance bonuses are included in the alternatives described below. However, other issues related to profit and performance standards are addressed in a separate paper.

Administrative and Indirect Services Allocation

11. As shown in Attachment 1, the minimum administrative/service allocation for the 24-month contract period as provided in the RFP is \$134,200 in Florence and Iron Counties. The maximum administrative/services allocation is \$31.3 million in Region 6 of Milwaukee County (currently operated by MAXIMUS).

12. One way to assess the impact of the allocation changes is to compare the RFP amounts with the current contract amounts. The administrative allocations under the RFP are 7.8% higher statewide compared to the 24-month administrative allocations under the current W-2 agency contracts. In examining the changes by agency, the difference in administrative allocations varies widely, from a decrease of 63.9% in Florence County to an increase of 73.1% in Fond du Lac

County. Tribal agencies would receive a total increase of 3.6%, but the difference among the three tribal agencies also varies significantly, from a decrease of over 20% for the Bad River and Oneida Tribes, to an increase of 52.3% for the Lac du Flambeau Tribe. Of the 75 W-2 agencies in the state, 23 would receive increased funding and 52 would receive decreased funding. Finally, it should be noted that the W-2 agencies in Milwaukee County would receive an average increase of 24.1% in the administrative allocation, while the agencies in the rest of the state would have an average decrease of 5.5%.

13. The variation among agencies occurs because caseload declines have not been uniform throughout the state. In general, because the allocations are based on recent caseloads, agencies that have had greater caseload reductions since the initial contracts were awarded would experience a larger decrease in funding compared to the current contracts. Counties with less significant caseload declines would experience less of a funding reduction or receive an increase. A higher proportion of cash benefit cases (which were weighted at 1.75) would also result in additional funding.

14. The Committee could consider a number of modifications to the administrative/ services allocations. First, as noted above, when the Department reduced the benefit allocations to account for caseload declines between August, 1998, and February, 1999, the excess funding was added to the allocations for administration and services. It is unclear why additional funding for administration would be needed to serve a smaller caseload. Therefore, this funding could be deleted from the bill, which would result in savings of \$7,661,800 in 1999-00 and \$15,313,400 in 2000-01. Additional savings equal to 7% of these amounts, which reflects the performance bonus amount, would also be realized (\$536,300 in 1999-00 and \$1,071,900 in 2000-01).

15. Another option would be to maintain the overall administrative allocation used in the RFP, but direct DWD to provide a uniform 7.8% increase over the current contract allocations to all agencies. Under this alternative, funding would be reallocated as shown in Attachment 2. No additional funding would have to be provided under this option.

16. A third option would be to maintain the current administrative allocations, which are lower than the statewide RFP amounts by \$20,802,100 over the 24-month contract period (7.8%). On a fiscal year basis, this would generate savings of \$5,200,500 in 1999-00 and \$10,401,100 in 2000-01 for administration and \$364,100 in 1999-00 and \$728,100 in 2000-01 for performance bonuses. This option would also affect the distribution of funding among the local service areas as shown in Attachment 3.

17. The previous options were based on comparisons of the RFP allocations to the allocations contained in the current contracts. Another factor for the Committee to consider is how the administrative allocations under the RFP compare to current administrative expenditures (as opposed to contract allocations). In order to assess this, estimated monthly administrative expenditures through February, 1999, were compared with the monthly administrative allocations under the RFP. Statewide, the total administrative allocation in the RFP would exceed current expenditures by nearly 42%. Again, the differences between current expenditures and the RFP

allocations varied significantly among individual counties, from a decrease of 49.8% in Manitowoc County to an increase of 143.2% for Fond du Lac County. Under the RFP, the Milwaukee W-2 agencies would receive an increase of 72.8% over current expenditures and the balance of the state would receive an increase of 10.0%.

18. The Committee could modify the allocations to provide all agencies a 10.0% increase over current expenditure levels. This would be approximately twice the anticipated level of inflation. Under this option, funding would be reallocated as shown in Attachment 4. Based on this reallocation, funding could be reduced compared to the RFP by \$64,657,300 for administrative costs over the 24-month contract period, and an additional \$4,526,000 for performance bonuses. On a fiscal year basis, funding would be reduced by \$16,164,300 in 1999-00 and \$32,328,700 in 2000-01 for administrative expenses, and by \$1,131,500 in 1999-00 and \$2,263,000 in 2000-01 for performance bonuses.

19. Another alternative would be to base the administrative allocation on current expenditures with only an adjustment for inflation. Compared to the RFP amounts, this option would decrease the administrative allocation by \$73,260,400 statewide over the 24-month contract period, and would also result in reduced funding for performance bonuses by \$5,128,300. Compared to the bill, funding would be reduced by \$18,315,100 in 1999-00 and \$36,630,200 in 2000-01 for administrative costs, and by \$1,282,100 in 1999-00 and \$2,564,100 in 2000-01 for performance bonuses. The allocations under this option are shown in Attachment 5.

20. In reviewing these alternatives, the Committee should note that the recent caseload declines may have left the agencies with a clientele that is more difficult to serve. Compared to the individuals who have left the program, the remaining participants may have greater barriers to self-sufficiency and may require more assistance prior to being able to maintain unsubsidized employment.

21. On the other hand, the agencies should be serving these types of cases currently and should have been serving them consistently over the last two years. Therefore, current administrative service expenditures should reflect the amount needed for serving all cases under the W-2 agency contract.

Benefits Allocation

22. The allocations for subsidized employment benefits by W-2 agency under the RFP are shown in Attachment 1. As indicated, the allocations vary from \$15,830 in Crawford, Florence, Iron, Jackson, Lafayette, Pepin and Rusk Counties to \$25.4 million for Region 3 in Milwaukee County (currently operated by Opportunities Industrialization Center of Greater Milwaukee).

23. Although the W-2 caseload has dropped significantly since implementation of the program, the caseload decline has slowed in the past several months. The allocations included in the RFP were designed to factor in the lower caseload levels and to provide the agencies with the ability to absorb caseload fluctuations that could come about due to unexpected events. As a result,

the formula included in the RFP for benefits assumes a constant caseload.

24. In particular, the RFP amounts are based on the February, 1999, caseload by agency. This caseload is assumed constant throughout the entire 24-month contract period. For each case, an agency is provided \$15,830, which amounts to \$660 per month. The subsidy amounts or benefit levels for trial jobs, community service jobs (CSJs), transitional placements and custodial parents of infants are \$300, \$673, \$628, and \$673, respectively. The \$660 figure was based on the weighted average of these benefit amounts using recent caseload levels.

25. The Department allows W-2 agencies to use the entire contract allocation to serve their cases. Therefore, if benefit dollars are not needed, the agency may use those dollars for other administrative or indirect services. If benefit dollars are insufficient to cover benefit costs, the agency would have to absorb those costs with funding under the administrative services allocation.

26. The Department's methodology assumes that a number of counties would have only one or two cash benefit cases throughout the entire 24-month contract period. With a very small increase in caseload, these agencies could be placed in a situation where benefit costs are not fully funded, even though the agency may be successful at placing new families into unsubsidized jobs quickly.

27. To address this situation, the Committee could provide funding based on a minimum caseload assumption, such as five cases per month per agency. If the Committee did not modify the caseload assumptions for other agencies, this option would result in increased costs of \$1,092,300 for benefits, and an additional \$76,400 in performance bonuses, over the entire 24-month contract period. On a fiscal year basis, funding would be increased by \$273,100 in 1999-00 and \$546,100 in 2000-01 for benefit costs, and by \$19,100 in 1999-00 and \$38,200 in 2000-01 for performance bonuses.

28. As a second option, the Committee could consider providing a lower amount of funding for benefits assuming continued caseload reductions. Since April, 1998, the number of subsidized employment cases has declined by an average of 3.25% per month. However, the monthly decline has varied significantly. From December, 1998, to February, 1999, the caseload declined 7.5%, increased by 5.6% and then declined again by 8.5%. There have also been considerable differences among individual counties. Because the remaining participants likely are harder to serve cases, it is reasonable to expect that the caseload will not decline as significantly as in the past.

29. Based on a conservative estimate that the caseload could decline on average by 1.0% per month over the 24-month contract period, funding for benefits could be reduced by \$28,168,700 compared to the RFP amount, with an additional decrease of \$1,971,900 for performance bonuses. On a fiscal year basis, funding would be reduced by \$7,042,100 in 1999-00 and \$14,084,400 in 2000-01 for benefits and by \$493,000 in 1999-00 and \$985,900 in 2000-01 for performance bonuses.

30. If the Committee wished to appropriate benefits funding based on both a minimum caseload assumption of five cases per month and an assumption that the caseload would decline on average by 1.0% per month, the total reduction in benefits compared to the RFP would be \$26,755,900 over the 24-month contract period. An additional \$1,873,000 would be reduced for performance bonuses. On a fiscal year basis, funding would be reduced by \$6,688,900 in 1999-00 and \$13,378,000 in 2000-01 for benefits and \$468,300 in 1999-00 and \$936,500 in 2000-01 for performance bonuses.

31. The amounts included in the RFP and the amounts calculated above are based on gross benefit amounts and do not include any reductions to account for estimated sanctions imposed on participants. Under 1997 Act 27 (the 1997-99 biennial budget), the amounts provided for subsidized employment were net of sanctions. It was argued that the W-2 agency should not reap the benefits of sanctioning a family for noncompliance because it may provide the agency with an incentive to impose a sanction unnecessarily.

32. According to information from the Department, since June 1998, financial sanctions represented 13.5% of gross benefits. In January, 1999, sanctions represented 16.7% of benefits. Sanctions under the next W-2 agency contracts are estimated at \$15,167,800, assuming a 13.5% sanction rate and that the caseload would decline by 1% per month. The Committee could consider reducing the amounts included in the bill for benefits to account for sanctions. Under this option, the benefit amounts in the bill would be reduced by \$3,792,000 in 1999-00 and \$7,583,900 in 2000-01.

33. The recent caseload reductions have occurred during a period of strong economic growth in Wisconsin and in the nation as a whole. The U.S. economy has been expanding since the Spring of 1991, and economic growth is expected to continue in future years. However, if growth slows significantly or if a recession occurs, public assistance caseloads could increase. Therefore, if the Committee chooses to decrease funding for W-2 benefits under one of the alternatives described above, it may wish to place some or all of the savings into its program supplements appropriation. These funds could be released under s. 13.10 if they are needed because of caseload increases.

Subsidized Employment Grant Amounts

34. As described earlier, the Department originally based the total statewide funding amount for the next W-2 agency contracts on the August, 1998, caseload. The RFP, which was finalized after introduction of the bill, contains modified amounts for administration and benefits. This occurred because the Department based the benefit allocation in the RFP on the February, 1999, caseload, which was lower than the caseload used in preparing the budget estimates. Rather than reduce funding by these amounts, the Department decided to add the surplus to the administrative allocation.

35. As an alternative to adding the surplus to the administrative allocation, the cash grants provided to recipients placed in community service jobs (CSJs), transitional placements, and who are caretakers of infants less than 13 weeks old, could be increased. One way to do this would

be to adjust the benefit amounts under the next contracts beginning January 1, 2000, based on inflation. Under current law, participants in CSJs and caretakers of infants receive a grant of \$673 per month, and transitional placement participants receive a grant of \$628 per month. Under this option the grant amounts would be as follows: (a) for community service jobs and grants for caretakers of infants, \$703 per month in calendar year 2000 and \$721 per month in the following year; and (b) for transitional placements, \$656 in calendar year 2000, and \$672 per month in 2001. In addition, the hourly sanction amount for failing to participate in required activities without good cause would increase from \$5.15 to \$5.38 in calendar year 2000, and to \$5.51 in 2001.

36. Compared to the amounts included in the RFP, funding under this option would be increased by \$8,179,000 over the 24-month contract period for benefits, and \$572,500 for performance bonuses. On a state fiscal year basis, benefit costs would increase by \$2,044,800 in 1999-00 and \$4,089,500 in 2000-01, and performance bonus costs would increase by 143,100 in 1999-00 and \$286,300 in 2000-01.

37. If grant amounts are increased, and it is specified that each W-2 agency would receive a contract allocation for benefits based on a minimum of five subsidized employment cases per month, compared to the RFP, funding for the 24-month contract period would be increased by \$9,334,800 for benefits and by \$653,400 for performance bonuses. On a state fiscal year basis, funding would be increased by \$2,333,700 in 1999-00 and \$4,667,400 in 2000-01 for benefits, and by \$163,400 in 1999-00 and \$326,700 in 2000-01 for performance bonuses.

38. If the Committee chose to provide a lower amount of funding under the W-2 agency contracts assuming a caseload decline of 1.0% per month over the 24-month contract period, and also chose to increase benefit amounts by an inflationary amount, funding for benefits could be reduced by \$21,717,600 over the entire contract period (as compared to allocating funding based solely on the caseload decline which would result in savings of \$28.2 million over the entire contract period). In addition, funding for performance bonuses would be reduced by \$1,520,200 for the 24-month contract period. On a state fiscal year basis, funding would be reduced by \$5,429,400 in 1999-00 and \$10,858,800 in 2000-01 for benefits, and by \$380,100 in 1999-00 and \$760,100 in 2000-01 for performance bonuses.

39. If the Committee wished to appropriate benefits funding based on: (a) an increase in the grant amounts based on inflation; (b) a minimum caseload assumption of five cases per month; and (c) an assumption that the caseload would decline on average by 1.0% per month, the total reduction in benefits compared to the RFP would be \$20,221,500 over the 24-month contract period. An additional \$1,415,500 would be reduced performance bonuses. On a fiscal year basis, funding would be reduced by \$5,055,400 in 1999-00 and \$10,110,800 for benefits, and by \$353,900 in 1999-00 and \$707,700 in 2000-01 for performance bonuses.

40. The above alternatives assume the cash grant amounts would be statutorily increased for calendar years 2000 and 2001. Absent any further modification, the cash grant amounts would remain at \$721 per month for CSJs and caretakers of infants, and \$672 per month for transitional placement participants in 2002 and thereafter.

41. The Committee could also modify the statutes to automatically index the grant and sanction amounts for inflation beginning in 2002. The individual income tax standard deduction and tax brackets were indexed beginning in 1999 under the 1997-99 budget bill. In addition, food stamp benefits and the federal and state earned income tax credits are indexed for inflation.

Treatment of Withheld or Recovered Funds

42. The RFP includes a provision that authorizes the Department to reduce, withhold, or recover payments made to a W-2 agency if the W-2 agency fails to satisfactorily perform its responsibilities under the contract. The bill contains no provision for how withheld or recovered funds would be appropriated. Therefore, the Committee could require that any funds withheld or recovered from W-2 agencies because the agency fails to perform its responsibilities would be added to the balance of unexpended TANF revenues that would be carried forward to the next fiscal year.

Effective Date

43. The bill provides funding for administrative costs, performance bonuses and benefit costs under the new W-2 agency contracts. However, the bill specifies that these are contracts "entered into after December 31, 1999." Because the new W-2 agency contracts would actually be signed prior to that date, a clarification should be made to specify that funding is provided for contracts effective January 1, 2000, through December 31, 2001. This modification would also apply to start-up funding.

ALTERNATIVES

Total Allocations

1. Modify the Governor's proposal with respect to the statutory allocations for the W-2 program by reducing the amount identified for subsidized employment benefits by \$7,661,800 in 1999-00 and \$15,313,400 in 2000-01 and increasing the amount identified for administration by these same amounts. This adjustment would make the bill provisions consistent with the RFP.

The following alternatives are based on the revised allocations under this option.

Administrative/Services Allocations

2. Modify the statutory allocations for the W-2 program by reducing the amount identified for subsidized employment benefits by \$7,661,800 in 1999-00 and \$15,313,400 in 2000-01. In addition, reduce the amounts for performance bonuses by \$536,300 in 1999-00 and \$1,071,900 in 2000-01. This adjustment would make the benefit allocations in the bill consistent with the RFP, but would not transfer the savings to the allocation for administration.

Alternative 2	FED
1999-01 FUNDING (Change to Bill)	- \$24,583,400

3. Modify the W-2 agency contract allocations by directing DWD to allocate funds for the next W-2 agency contracts so that all agencies would receive an increase in funding for administrative services of 7.8% over the current contract allocations for administrative services.

4. Modify the W-2 agency contract allocations by: (a) reducing funding by \$5,200,500 in 1999-00 and \$10,401,100 in 2000-01 for administrative services; and (b) reducing funding by \$364,100 in 1999-00 and \$728,100 in 2000-01 for performance bonuses. In addition, direct the Department to allocate funding for the next W-2 agency contracts so that all agencies would receive an amount that is equal to the administrative allocation under the current W-2 agency contracts.

Alternative 4	FED
1999-01 FUNDING (Change to Bill)	- \$16,693,800

5. Modify the W-2 agency contract allocations by reducing funding for the next W-2 agency contracts by: (a) \$16,164,300 in 1999-00 and \$32,328,700 in 2000-01 for administrative service costs; and (b) \$1,131,500 in 1999-00 and \$2,263,000 in 2000-01 for performance bonuses. In addition, direct DWD to allocate funding for the next W-2 agency contracts so that all agencies would receive a 10.0% increase over current expenditure levels based on administrative expenditures under the current W-2 agency contracts through February, 1999.

Alternative 5	FED
1999-01 FUNDING (Change to Bill)	- \$51,887,500

6. Modify the W-2 agency contract allocations by reducing funding by: (a) \$18,315,100 in 1999-00 and \$36,630,200 in 2000-01 for administrative services; and (b) \$1,282,100 in 1999-00 and \$2,564,100 in 2000-01 for performance bonuses. In addition, direct the Department to allocate funding for the next W-2 agency contracts so that all agencies would receive an amount that is equal to the current expenditure levels based on administrative expenditures under the current W-2 agency contracts through February, 1999, adjusted for inflation.

Alternative 6	FED
1999-01 FUNDING (Change to Bill)	- \$58,791,500

Benefit Allocations

7. Modify the W-2 agency contract allocations by directing the Department to provide funding for subsidized employment benefits under the next W-2 agency contract so that all agencies

would receive a minimum allocation based on five subsidized employment cases multiplied by \$660 per month. Modify funding as follows: (a) increase funding by \$273,100 in 1999-00 and \$546,100 in 2000-01 for subsidized employment benefits; and (b) increase funding by \$19,100 in 1999-00 and \$38,200 in 2000-01 for performance bonuses.

Alternative 7	FED
1999-01 FUNDING (Change to Bill)	\$876,500

8. Modify the allocations related to funding for the next W-2 agency contracts by: (a) reducing funding by \$7,042,100 in 1999-00 and \$14,084,400 in 2000-01 for subsidized employment benefits; and (b) reducing funding by \$493,000 in 1999-00 and \$985,900 in 2000-01 for performance bonuses. These modifications are based on an assumption that caseload would decline by 1.0% per month statewide.

Alternative 8	FED
1999-01 FUNDING (Change to Bill)	- \$22,605,400

9. Modify the allocations related to funding for the next W-2 agency contracts to reflect both a minimum allocation for each agency of five cases per month, and to reflect a 1.0% monthly decrease in the statewide caseload. Decrease funding by: (a) \$6,688,900 in 1999-00 and \$13,378,000 in 2000-01 for subsidized employment benefits; and (b) \$468,300 in 1999-00 and \$936,500 in 2000-01 for performance bonuses.

Alternative 9	FED
1999-01 FUNDING (Change to Bill)	- \$21,471,700

10. Reduce funding by \$3,792,000 in 1999-00 and \$7,583,900 in 2000-01 to account for sanctions imposed on W-2 recipients.

Alternative 10	GPR
1999-01 FUNDING (Change to Bill)	- \$11,375,900

11. Place any funding from reduced benefit allocations in the Committee's appropriation for release under s. 13.10, if needed.

Subsidized Employment Grant Amounts

12. Modify the Governor's proposal by specifying that the cash grant amounts would be

as follows: (a) for community service jobs and grants for caretakers of infants, \$703 per month in calendar year 2000, and \$721 per month beginning January 1, 2001; and (b) for transitional placements, \$656 in 2000 and \$672 per month beginning January 1, 2001. Specify that the hourly sanction amount for failing to participate in required activities without good cause would increase to \$5.38 in calendar year 2000, and \$5.51 beginning in calendar year 2001. In addition, approve one of the following options:

a. Increase funding by: (a) \$2,044,800 in 1999-00 and \$4,089,500 in 2000-01 for benefits; and (b) \$143,100 in 1999-00 and \$286,300 in 2000-01 for performance bonuses. This modification would represent a change to the current RFP amounts.

Alternative 12a	FED
1999-01 FUNDING (Change to Bill)	\$6,563,700

b. Increase funding by: (a) by \$2,333,700 in 1999-00 and \$4,667,400 in 2000-01 for benefits; and (b) \$163,400 in 1999-00 and \$326,700 in 2000-01 for performance bonuses. Under this option, the grant amounts would be increased as specified above, and each W-2 agency would receive a contract allocation for benefits based on a minimum of five subsidized employment cases per month, compared to the RFP.

Alternative 12b	FED
1999-01 FUNDING (Change to Bill)	\$7,491,200

c. Reduce funding by: (a) \$5,429,400 in 1999-00 and \$10,858,800 in 2000-01 for benefits; and (b) \$380,100 in 1999-00 and \$760,100 in 2000-01 for performance bonuses. This option assumes an increase in benefits as described above, and a caseload decline of 1.0% per month over the 24-month contract period.

Alternative 12c	FED
1999-01 FUNDING (Change to Bill)	-\$17,428,400

d. Reduce funding by: (a) \$5,055,400 in 1999-00 and \$10,110,800 in 2000-01 for benefits, and by \$353,900 in 1999-00 and \$707,700 in 2000-01 for performance bonuses. This option assumes all of the following: (a) an increase in the grant amounts as described above; (b) a minimum caseload assumption of five cases per month; and (c) an assumption that the caseload would decline on average by 1.0% per month.

13. Modify the Governor's proposal by specifying that the cash grant and hourly sanction amounts for community service jobs, participants in transitional placements and caretakers of infants under the age of 13 weeks would be indexed for inflation beginning January 1, 2002.

Treatment of Withheld or Recovered Funds

14. Modify the Governor's proposal to specify that any dollars withheld, reduced or recovered from a W-2 agency because the agency has failed to satisfactorily perform its responsibilities under the contract would be added to the unallocated balance of unexpended TANF revenues that would be carried forward to the next fiscal year.

Effective Date

15. Modify the Governor's recommendation to clarify that funding for subsidized employment benefits, administrative services, performance bonuses and agency start-up expenses is provided for the next W-2 agency contracts effective January 1, 2000 through December 31, 2001.

Prepared by: Joanne T. Simpson

ATTACHMENT 1

Allocations By Agency for the Next W-2 Agency Contracts January 1, 2000 through December 31, 2001

	<u>Agency Allocation</u>			<u>Performance Bonus (Profit)</u>
	<u>Administrative Services</u>	<u>Subsidized Employment</u>	<u>Total Allocation</u>	
Adams	\$446,000	\$63,300	\$509,300	\$35,700
Ashland	656,700	31,700	688,400	48,200
Bad River Tribe	257,500	142,500	400,000	28,000
Barron	1,323,200	63,300	1,386,500	97,100
Bayfield	368,300	31,700	400,000	28,000
Brown	4,119,500	174,100	4,293,600	300,600
Buffalo	307,500	142,500	450,000	31,500
Burnett	402,500	47,500	450,000	31,500
Calumet	531,200	47,500	578,700	40,500
Chippewa	1,577,100	269,100	1,846,200	129,200
Clark	608,700	31,600	640,300	44,800
Columbia	828,900	79,100	908,000	63,600
Crawford	284,200	15,800	300,000	21,000
Dane	14,700,800	4,717,300	19,418,100	1,359,300
Dodge	1,512,900	253,300	1,766,200	123,600
Door	609,700	110,800	720,500	50,400
Douglas	2,812,500	459,100	3,271,600	229,000
Dunn	1,349,000	316,600	1,665,600	116,600
Eau Claire	3,196,200	411,600	3,607,800	252,500
Florence	134,200	15,800	150,000	10,500
Fond du Lac	2,630,700	554,100	3,184,800	222,900
Forest	220,900	79,100	300,000	21,000
Grant	763,300	79,100	842,400	59,000
Green	642,000	47,500	689,500	48,300
Green Lake	488,800	126,600	615,400	43,100
Iowa	452,500	47,500	500,000	35,000
Iron	134,200	15,800	150,000	10,500
Jackson	700,500	15,900	716,400	50,100
Jefferson	971,900	190,000	1,161,900	81,300
Juneau	1,083,800	379,900	1,463,700	102,500
Kenosha	8,119,800	2,501,200	10,621,000	743,500
Kewaunee	186,700	63,300	250,000	17,500
La Crosse	4,000,600	744,000	4,744,600	332,100
Lac du Flambeau Tribe	812,400	538,200	1,350,600	94,500
Lafayette	184,200	15,800	200,000	14,000
Langlade	820,400	174,100	994,500	69,600
Lincoln	609,000	79,200	688,200	48,200
Manitowoc	834,800	47,500	882,300	61,800
Marathon	3,367,600	854,800	4,222,400	295,600
Marinette	831,300	47,500	878,800	61,500
Marquette	368,300	31,700	400,000	28,000
Menominee	598,200	221,600	819,800	57,400

ATTACHMENT 1 (continued)

	Agency Allocation			Performance Bonus (Profit)
	Administrative Services	Subsidized Employment	Total Allocation	
Milwaukee - Region 1	\$28,617,500	\$13,977,900	\$42,595,400	\$ 2,981,700
Milwaukee - Region 2	29,451,100	13,787,900	43,239,000	3,026,700
Milwaukee - Region 3	29,675,200	25,375,500	55,050,700	3,853,500
Milwaukee - Region 4	29,338,700	23,824,200	53,162,900	3,721,400
Milwaukee - Region 5	29,644,200	19,344,300	48,988,500	3,429,200
Milwaukee - Region 6	31,253,700	21,338,900	52,592,600	3,681,500
Monroe	1,509,300	285,000	1,794,300	125,600
Oconto	703,300	63,400	766,700	53,700
Oneida	1,105,900	189,900	1,295,800	90,700
Oneida Tribe	442,100	174,200	616,300	43,100
Outagamie	2,994,100	918,100	3,912,200	273,900
Ozaukee	728,900	79,200	808,100	56,600
Pepin	184,200	15,800	200,000	14,000
Pierce	625,200	110,800	736,000	51,500
Polk	799,400	47,500	846,900	59,300
Portage	1,322,200	142,500	1,464,700	102,500
Price	681,600	63,300	744,900	52,100
Racine	6,518,500	1,788,800	8,307,300	581,500
Richland	402,500	47,500	450,000	31,500
Rock	4,418,500	934,000	5,352,500	374,700
Rusk	384,200	15,800	400,000	28,000
Sauk	1,058,900	189,900	1,248,800	87,400
Sawyer	770,700	63,300	834,000	58,400
Shawano	1,090,000	126,600	1,216,600	85,200
Sheboygan	1,549,000	205,800	1,754,800	122,800
St. Croix	732,100	110,800	842,900	59,000
Taylor	402,500	47,500	450,000	31,500
Trempealeau	727,900	126,600	854,500	59,800
Vernon	517,900	79,100	597,000	41,800
Vilas	339,200	110,800	450,000	31,500
Walworth	1,766,100	316,600	2,082,700	145,800
Washburn	457,600	47,400	505,000	35,400
Washington	1,404,900	253,300	1,658,200	116,100
Waukesha	3,489,300	554,100	4,043,400	283,000
Waupaca	959,300	332,400	1,291,700	90,400
Waushara	717,700	31,700	749,400	52,500
Winnebago	3,604,800	649,000	4,253,800	297,800
Wood	<u>2,277,800</u>	<u>474,900</u>	<u>2,752,700</u>	<u>192,700</u>
Statewide Total	\$287,514,500	\$140,522,900	\$428,037,400	\$29,962,800

NOTE: Current providers in Milwaukee Regions:

- Region 1 - YW Works
- Region 2 - United Migrant Opportunity Services, Inc.
- Region 3 - Opportunities Industrialization Center of Greater Milwaukee
- Region 4 and Region 5 - Employment Solutions, Inc.
- Region 6 - MAXIMUS, Inc.

ATTACHMENT 2

**Option to Increase the Administrative Services Allocation
By 7.8% Compared to the Current Contract**

	<u>RFP Allocation</u>	<u>7.8% Increase Option</u>	<u>Difference</u>
Adams	\$446,000	\$967,400	\$521,400
Ashland	656,700	877,500	220,800
Bad River Tribe	257,500	385,400	127,900
Barron	1,323,200	1,132,900	-190,300
Bayfield	368,300	409,300	41,000
Brown	4,119,500	7,491,200	3,371,700
Buffalo	307,500	574,900	267,400
Burnett	402,500	759,300	356,800
Calumet	531,200	622,200	91,000
Chippewa	1,577,100	2,280,000	702,900
Clark	608,700	734,400	125,700
Columbia	828,900	1,071,400	242,500
Crawford	284,200	494,500	210,300
Dane	14,700,800	10,544,500	-4,156,300
Dodge	1,512,900	1,336,200	-176,700
Door	609,700	532,300	-77,400
Douglas	2,812,500	3,150,100	337,600
Dunn	1,349,000	1,737,200	388,200
Eau Claire	3,196,200	4,605,800	1,409,600
Florence	134,200	400,600	266,400
Fond du Lac	2,630,700	1,638,300	-992,400
Forest	220,900	645,800	424,900
Grant	763,300	825,500	62,200
Green	642,000	589,100	-52,900
Green Lake	488,800	584,800	96,000
Iowa	452,500	570,100	117,600
Iron	134,200	347,900	213,700
Jackson	700,500	856,000	155,500
Jefferson	971,900	1,345,700	373,800
Juneau	1,083,800	991,000	-92,800
Kenosha	8,119,800	7,449,900	-669,900
Kewaunee	186,700	456,600	269,900
La Crosse	4,000,600	5,003,300	1,002,700
Lac du Flambeau Tribe	812,400	574,900	-237,500
Lafayette	184,200	404,600	220,400
Langlade	820,400	882,300	61,900
Lincoln	609,000	891,700	282,700
Manitowoc	834,800	1,915,700	1,080,900
Marathon	3,367,600	4,833,800	1,466,200
Marinette	831,300	1,627,100	795,800
Marquette	368,300	409,300	41,000
Menominee	598,200	1,104,500	506,300

ATTACHMENT 2 (continued)

	RFP Allocation	7.8% Increase Option	Difference
Milwaukee - Region 1	\$28,617,500	\$20,420,200	-\$8,197,300
Milwaukee - Region 2	29,451,000	23,659,000	-5,792,000
Milwaukee - Region 3	29,675,200	28,219,100	-1,456,100
Milwaukee - Region 4	29,338,700	27,556,400	-1,782,300
Milwaukee - Region 5	29,644,200	25,177,200	-4,467,000
Milwaukee - Region 6	31,253,700	29,025,100	-2,228,600
Monroe	1,509,300	1,558,500	49,200
Oconto	703,300	924,800	221,500
Oneida Tribe	1,105,900	1,180,200	74,300
Oneida	442,100	612,700	170,600
Outagamie	2,994,100	3,116,000	121,900
Ozaukee	728,900	655,200	-73,700
Pepin	184,200	281,700	97,500
Pierce	625,200	636,300	11,100
Polk	799,400	1,227,500	428,100
Portage	1,322,200	2,333,700	1,011,500
Price	681,600	584,300	-97,300
Racine	6,518,500	10,892,000	4,373,500
Richland	402,500	740,400	337,900
Rock	4,418,500	7,549,200	3,130,700
Rusk	384,200	856,000	471,800
Sauk	1,058,900	1,397,700	338,800
Sawyer	770,700	1,213,300	442,600
Shawano	1,090,000	1,009,900	-80,100
Sheboygan	1,549,000	2,276,600	727,600
St. Croix	732,100	967,400	235,300
Taylor	402,500	570,100	167,600
Trempealeau	727,900	868,000	140,100
Vernon	517,900	678,900	161,000
Vilas	339,200	508,700	169,500
Walworth	1,766,100	1,638,900	-127,200
Washburn	457,600	735,600	278,000
Washington	1,404,900	1,610,500	205,600
Waukesha	3,489,300	3,594,600	105,300
Waupaca	959,300	1,293,700	334,400
Waushara	717,700	901,200	183,500
Winnebago	3,604,800	4,124,300	519,500
Wood	<u>2,277,800</u>	<u>2,864,500</u>	<u>586,700</u>
Statewide	\$287,514,400	\$287,514,400	\$0

ATTACHMENT 3

**Option to Provide Funding for the Administrative Services Allocation
Based on the Current Contract Allocation**

	<u>RFP Allocation</u>	<u>Proposed Allocation</u>	<u>Difference</u>
Adams	\$446,000	\$897,400	\$451,400
Ashland	656,700	814,000	157,300
Bad River Tribe	257,500	357,500	100,000
Barron	1,323,200	1,050,900	-272,300
Bayfield	368,300	379,700	11,400
Brown	4,119,500	6,949,200	2,829,700
Buffalo	307,500	533,300	225,800
Burnett	402,500	704,400	301,900
Calumet	531,200	577,100	45,900
Chippewa	1,577,100	2,115,000	537,900
Clark	608,700	681,300	72,600
Columbia	828,900	993,900	165,000
Crawford	284,200	458,700	174,500
Dane	14,700,800	9,781,500	-4,919,300
Dodge	1,512,900	1,239,600	-273,300
Door	609,700	493,800	-115,900
Douglas	2,812,500	2,922,200	109,700
Dunn	1,349,000	1,611,500	262,500
Eau Claire	3,196,200	4,272,600	1,076,400
Florence	134,200	371,700	237,500
Fond du Lac	2,630,700	1,519,700	-1,111,000
Forest	220,900	599,100	378,200
Grant	763,300	765,800	2,500
Green	642,000	546,400	-95,600
Green Lake	488,800	542,500	53,700
Iowa	452,500	528,900	76,400
Iron	134,200	322,700	188,500
Jackson	700,500	794,100	93,600
Jefferson	971,900	1,248,300	276,400
Juneau	1,083,800	919,300	-164,500
Kenosha	8,119,800	6,910,800	-1,209,000
Kewaunee	186,700	423,600	236,900
La Crosse	4,000,600	4,641,300	640,700
Lac du Flambeau Tribe	812,400	533,300	-279,100
Lafayette	184,200	375,300	191,100
Langlade	820,400	818,400	-2,000
Lincoln	609,000	827,200	218,200
Manitowoc	834,800	1,777,100	942,300
Marathon	3,367,600	4,484,000	1,116,400
Marinette	831,300	1,509,400	678,100
Marquette	368,300	379,700	11,400
Menominee	598,200	1,024,600	426,400

ATTACHMENT 3 (continued)

	<u>RFP Allocation</u>	<u>Proposed Allocation</u>	<u>Difference</u>
Milwaukee - Region 1	\$28,617,500	\$18,942,700	-\$9,674,800
Milwaukee - Region 2	29,451,000	21,947,200	-7,503,800
Milwaukee - Region 3	29,675,200	26,177,400	-3,497,800
Milwaukee - Region 4	29,338,700	25,562,600	-3,776,100
Milwaukee - Region 5	29,644,200	23,355,600	-6,288,600
Milwaukee - Region 6	31,253,700	26,925,100	-4,328,600
Monroe	1,509,300	1,445,700	-63,600
Oconto	703,300	857,900	154,600
Oneida	1,105,900	1,094,800	-11,100
Oneida Tribe	442,100	568,400	126,300
Outagamie	2,994,100	2,890,600	-103,500
Ozaukee	728,900	607,800	-121,100
Pepin	184,200	261,300	77,100
Pierce	625,200	590,300	-34,900
Polk	799,400	1,138,700	339,300
Portage	1,322,200	2,164,900	842,700
Price	681,600	542,000	-139,600
Racine	6,518,500	10,103,900	3,585,400
Richland	402,500	686,800	284,300
Rock	4,418,500	7,003,000	2,584,500
Rusk	384,200	794,100	409,900
Sauk	1,058,900	1,296,600	237,700
Sawyer	770,700	1,125,500	354,800
Shawano	1,090,000	936,900	-153,100
Sheboygan	1,549,000	2,111,900	562,900
St. Croix	732,100	897,400	165,300
Taylor	402,500	528,900	126,400
Trempealeau	727,900	805,300	77,400
Vernon	517,900	629,800	111,900
Vilas	339,200	471,900	132,700
Walworth	1,766,100	1,520,300	-245,800
Washburn	457,600	682,400	224,800
Washington	1,404,900	1,494,000	89,100
Waukesha	3,489,300	3,334,500	-154,800
Waupaca	959,300	1,200,100	240,800
Waushara	717,700	836,000	118,300
Winnebago	3,604,800	3,825,900	221,100
Wood	<u>2,277,800</u>	<u>2,657,300</u>	<u>379,500</u>
Statewide Total	\$287,514,400	\$266,712,300	-\$20,802,100

ATTACHMENT 4

Option to Increase the Administrative Services Allocation By 10.0% Compared to Current Expenditures

	<u>RFP Allocation</u>	<u>10% Increase Option</u>	<u>Difference</u>
Adams	\$446,000	\$792,300	\$346,300
Ashland	656,700	538,800	-117,900
Bad River Tribe	257,500	225,700	-31,800
Barron	1,323,200	1,359,300	36,100
Bayfield	368,300	484,300	116,000
Brown	4,119,500	6,167,300	2,047,800
Buffalo	307,500	389,600	82,100
Burnett	402,500	441,200	38,700
Calumet	531,200	513,600	-17,600
Chippewa	1,577,100	1,323,800	-253,300
Clark	608,700	502,200	-106,500
Columbia	828,900	1,044,500	215,600
Crawford	284,200	444,200	160,000
Dane	14,700,800	10,834,900	-3,865,900
Dodge	1,512,900	870,000	-642,900
Door	609,700	606,400	-3,300
Douglas	2,812,500	2,017,600	-794,900
Dunn	1,349,000	1,385,800	36,800
Eau Claire	3,196,200	2,978,900	-217,300
Florence	134,200	266,900	132,700
Fond du Lac	2,630,700	1,190,100	-1,440,600
Forest	220,900	451,900	231,000
Green Lake	488,800	501,100	12,300
Iron	134,200	215,800	81,600
Jackson	700,500	729,400	28,900
Jefferson	971,900	1,018,900	47,000
Juneau	1,083,800	502,900	-580,900
Kenosha	8,119,800	12,048,400	3,928,600
Kewaunee	186,700	396,800	210,100
La Crosse	4,000,600	2,733,600	-1,267,000
Lac du Flambeau Tribe	812,400	409,100	-403,300
Langlade	820,400	637,000	-183,400
Lincoln	609,000	525,000	-84,000
Manitowoc	834,800	1,827,900	993,100
Marathon	3,367,600	4,075,100	707,500
Marinette	831,300	946,100	114,800
Marquette	368,300	376,700	8,400
Menominee	598,200	664,800	66,600

ATTACHMENT 4 (continued)

	<u>RFP Allocation</u>	<u>10% Increase Option</u>	<u>Difference</u>
Milwaukee - Region 1	\$28,617,500	\$14,134,700	-\$14,482,800
Milwaukee - Region 2	29,451,000	17,781,800	-11,669,200
Milwaukee - Region 3	29,675,200	17,719,200	-11,956,000
Milwaukee - Region 4 & 5	58,982,900	36,103,500	-22,879,400
Milwaukee - Region 6	31,253,700	27,585,500	-3,668,200
Monroe	1,509,300	907,200	-602,100
Oconto	703,300	694,900	-8,400
Oneida	1,105,900	613,700	-492,200
Oneida Tribe	442,100	277,200	-164,900
Outagamie	2,994,100	1,732,000	-1,262,100
Ozaukee	728,900	611,900	-117,000
Pepin	184,200	319,100	134,900
Pierce	625,200	655,600	30,400
Polk	799,400	860,300	60,900
Portage	1,322,200	1,586,900	264,700
Price	681,600	610,000	-71,600
Racine	6,518,500	8,112,400	1,593,900
Rock	4,418,500	5,882,700	1,464,200
Rusk	384,200	538,700	154,500
Sauk	1,058,900	1,002,500	-56,400
Sawyer	770,700	577,600	-193,100
Shawano	1,090,000	833,700	-256,300
Sheboygan	1,549,000	1,560,700	11,700
Southwest Consortium	2,444,500	3,070,000	625,500
St. Croix	732,100	835,700	103,600
Taylor	402,500	355,900	-46,600
Trempealeau	727,900	638,300	-89,600
Vernon	517,900	642,900	125,000
Vilas	339,200	469,300	130,100
Walworth	1,766,100	1,238,500	-527,600
Washburn	457,600	582,600	125,000
Washington	1,404,900	1,579,400	174,500
Waukesha	3,489,300	3,352,400	-136,900
Waupaca	959,300	1,024,300	65,000
Waushara	717,700	665,900	-51,800
Winnebago	3,604,800	3,354,200	-250,600
Wood	<u>2,277,800</u>	<u>1,908,000</u>	<u>-369,800</u>
Statewide Total	\$287,514,400	\$222,857,100	-\$64,657,300

Note: Expenditures through February, 1999, from data provided by the Department of Workforce Development
Expenditures for the Southwest Consortium (Grant, Green, Iowa, Lafayette and Richland Counties) are not available by county.

ATTACHMENT 5

**Option to Provide Funding for the Administrative Services Allocation
Based on Current Expenditures Adjusted for Inflation**

	<u>RFP Allocation</u>	<u>Inflationary Increase Option</u>	<u>Difference</u>
Adams	\$446,000	\$761,700	-\$315,700
Ashland	656,700	518,000	-138,700
Bad River Tribe	257,500	217,000	-40,500
Barron	1,323,200	1,306,800	-16,400
Bayfield	368,300	465,600	97,300
Brown	4,119,500	5,929,300	1,809,800
Buffalo	307,500	374,500	67,000
Burnett	402,500	424,100	21,600
Calumet	531,200	493,800	-37,400
Chippewa	1,577,100	1,272,700	-304,400
Clark	608,700	482,800	-125,900
Columbia	828,900	1,004,200	175,300
Crawford	284,200	427,100	142,900
Dane	14,700,800	10,416,600	-4,284,200
Dodge	1,512,900	836,500	-676,400
Door	609,700	583,000	-26,700
Douglas	2,812,500	1,939,700	-872,800
Dunn	1,349,000	1,332,300	-16,700
Eau Claire	3,196,200	2,863,900	-332,300
Florence	134,200	256,600	122,400
Fond du Lac	2,630,700	1,144,100	-1,486,600
Forest	220,900	434,500	213,600
Green Lake	488,800	481,800	-7,000
Iron	134,200	207,400	73,200
Jackson	700,500	701,300	800
Jefferson	971,900	979,600	7,700
Juneau	1,083,800	483,500	-600,300
Kenosha	8,119,800	11,583,200	3,463,400
Kewaunee	186,700	381,500	194,800
La Crosse	4,000,600	2,628,100	-1,372,500
Lac du Flambeau Tribe	812,400	393,300	-419,100
Langlade	820,400	612,400	-208,000
Lincoln	609,000	504,700	-104,300
Manitowoc	834,800	1,757,300	922,500
Marathon	3,367,600	3,917,800	550,200
Marinette	831,300	909,600	78,300
Marquette	368,300	362,100	-6,200
Menominee	598,200	639,200	41,000

ATTACHMENT 5 (continued)

	<u>RFP Allocation</u>	<u>Inflationary Increase Option</u>	<u>Difference</u>
Milwaukee - Region 1	\$28,617,500	\$13,589,000	-\$15,028,500
Milwaukee - Region 2	29,451,000	17,095,300	-12,355,700
Milwaukee - Region 3	29,675,200	17,035,200	-12,640,000
Milwaukee - Region 4 & 5	58,982,900	34,709,800	-24,273,100
Milwaukee - Region 6	31,253,700	26,520,600	-4,733,100
Monroe	1,509,300	872,200	-637,100
Oconto	703,300	668,100	-35,200
Oneida	1,105,900	590,000	-515,900
Oneida	442,100	266,500	-175,600
Outagamie	2,994,100	1,665,100	-1,329,000
Ozaukee	728,900	588,300	-140,600
Pepin	184,200	306,700	122,500
Pierce	625,200	630,300	5,100
Polk	799,400	827,100	27,700
Portage	1,322,200	1,525,600	203,400
Price	681,600	586,400	-95,200
Racine	6,518,500	7,799,200	1,280,700
Rock	4,418,500	5,655,600	1,237,100
Rusk	384,200	517,900	133,700
Sauk	1,058,900	963,800	-95,100
Sawyer	770,700	555,300	-215,400
Shawano	1,090,000	801,500	-288,500
Sheboygan	1,549,000	1,500,500	-48,500
Southwest Consortium	2,444,500	2,951,500	507,000
St. Croix	732,100	803,500	71,400
Taylor	402,500	342,200	-60,300
Trempealeau	727,900	613,600	-114,300
Vernon	517,900	618,100	100,200
Vilas	339,200	451,200	112,000
Walworth	1,766,100	1,190,700	-575,400
Washburn	457,600	560,100	102,500
Washington	1,404,900	1,518,400	113,500
Waukesha	3,489,300	3,223,000	-266,300
Waupaca	959,300	984,800	25,500
Waushara	717,700	640,200	-77,500
Winnebago	3,604,800	3,224,800	-380,000
Wood	<u>2,277,800</u>	<u>1,834,300</u>	<u>-443,500</u>
Statewide	\$287,514,400	\$214,254,000	-\$73,260,400

Note: Expenditures through February, 1999, from data provided by the Department of Workforce Development
Expenditures for the Southwest Consortium (Grant, Green, Iowa, Lafayette and Richland Counties) are not available by county.



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June 1, 1999

Joint Committee on Finance

Paper #1084

TANF

Start-Up Funding For New W-2 Agencies (DWD -- Economic Support and Child Care)

[LFB 1999-01 Budget Summary: Page 684, #11]

CURRENT LAW

No provision.

GOVERNOR

Provide \$7,184,400 in 1999-00 for start-up funding for new W-2 agencies that would replace current W-2 agencies during the next contract period.

DISCUSSION POINTS

1. Statewide, \$34.1 million was provided to W-2 agencies prior to the beginning of the previous W-2 contract period for start-up activities. According to the Legislative Audit Bureau, approximately \$28.7 million of the start-up funding was expended through August, 1998. Funding was used for: personnel; staff training; improvements in facilities; developing plans and procedures for transitioning participants from the AFDC program to the W-2 program and resolving disputes; and computer-related expenses.

2. The Department has identified 80 geographic areas for the administration of the W-2 program as follows: (a) 71 counties outside of Milwaukee; (b) six regions in Milwaukee County; and (c) three tribes. One agency in Milwaukee County, Employment Solutions, operates in two regions. In addition, during the last contract period, five counties combined to form the Southwest Consortium (Grant, Green, Iowa, Lafayette and Richland). Therefore, there are currently 75 W-2

agencies administering the W-2 program in 80 geographic areas.

3. The administration indicates that the \$7.2 million amount included in the bill represents approximately 25% of the start-up funding that was expended under the current contracts, based on the assumption that up to 25% of the current agencies may not renew their contracts.

4. On March 9, 1999, the Department announced that 62 out of the 75 current W-2 agencies were determined to have met certain financial and administrative qualifications called the "right of first selection" criteria. All of the Milwaukee W-2 agencies met these standards. Each of the eight non-county W-2 agencies also met these criteria. These agencies will be awarded the next W-2 agency contract without having to compete for the contract. The remaining 13 agencies, which represent 17 geographic regions, would have to enter a competitive process. If successful, those agencies could be awarded the next contract.

5. The draft request for proposals (RFP) for administering the W-2 program for the next contract period was released on April 12, 1999. The draft RFP (which is dated April 9, 1999) was available for public comment through April 30, and the final RFP was mailed May 19. Agencies that met the right of first selection criteria will have to submit a plan for administering the W-2 program by July 8, 1999. If the plan is not sufficient, or a plan is not submitted by a W-2 agency, the Department would announce that the area would be open for competitive bidding. All competitive proposals are due by August 17. It should also be noted that, under current law, counties or tribes that elect not to compete for the next contracts must notify their employees by June 30, 1999, of that decision.

6. The announcement of contract awards is expected to occur by September 17, 1999. Contracts would be issued by September 30 and are expected to be signed by November 3. The RFP indicates that start-up contracts would be implemented between November 3, and December 31, 1999. The new W-2 agency contracts will cover the period January 1, 2000, through December 31, 2001.

7. Some of the agencies that met the right of first selection criteria may not sign the final contract due to decreases in contract allocations compared to the current contracts, or for other reasons. If, in addition, all 13 agencies that did not meet the right of first selection criteria fail to be awarded the contract during the competitive process, the amount of funding recommended by the Governor (which is based on 19 new agencies) may accurately reflect the need for start-up funding.

8. However, because the right of first selection process required agencies to submit certain information that likely involved a significant commitment of time, W-2 agencies may only have participated in that process if they intend to sign the final contract. Therefore, all of the agencies that met the right of first selection criteria may sign the final contract. In addition, some or all of the 13 agencies that did not meet the right of first selection criteria may also be awarded the final contract under the competitive process. Therefore, the amount of funding recommended by the Governor may be overstated.

9. Determining an accurate amount of start-up funding is difficult. Previous start-up expenditures varied greatly by area. Of the county and tribal agencies, start-up costs ranged from \$4,685 in Jefferson County to \$1,626,800 in Racine County. Start-up costs for the W-2 agencies in Milwaukee County were: (a) \$4,749,800 for Employment Solutions for two geographic areas; (b) \$3,028,100 for MAXIMUS; (c) \$2,389,200 for Opportunities Industrialization Center of Greater Milwaukee; (d) \$1,998,400 for United Migrant Opportunities Services; and (e) \$1,182,900 for YW Works. Start-up expenditures for the other eight non-county and non-tribal W-2 agencies ranged from \$37,800 for Forward Service Corp. in Vilas County to \$534,000 for Curtis Associates in Waukesha County.

10. Based on previous expenditures, average start-up costs for all regions outside of Milwaukee were \$207,000 per geographic area. If it is assumed that new W-2 agencies would be awarded the next contract in 17 geographic areas outside of Milwaukee, \$3,519,000 would be needed for start-up funding based on this average. This estimate assumes that some agencies that met the right of first selection criteria would not sign the next contract, but that other agencies that did not meet those criteria would successfully compete and be awarded the next contract.

11. On the other hand, previous start-up costs were \$4,269,300 for the 13 W-2 agencies that did not meet the right of first selection criteria.

12. The bill does not specify how start-up funds would be used or how they would be allocated. Because it is difficult to predict the number of agencies for which start-up funds may be necessary, and because the criteria for using the funds are not specified in the bill, start-up funds could be placed in the Committee's appropriation, and released upon approval of a plan for the use of these funds submitted by the Department under s. 13.10.

ALTERNATIVES

A. Funding Amount

1. Approve Governor's recommendation to provide \$7,184,400 in 1999-00 for start-up funding for new W-2 agencies.

2. Modify the Governor's recommendation by providing \$3,519,000 in 1999-00 for start-up funding for new W-2 agencies. This option assumes that 17 new agencies would receive an average of \$207,000, based on the average start-up funding provided for the initial contracts for all of the agencies outside of Milwaukee County.

Alternative A2	FED
1999-01 FUNDING (Change to Bill)	- \$3,665,400

3. Modify the Governor's recommendation by providing \$4,269,300 in 1999-00 for start-up funding for new W-2 agencies. This option is based on the amount of start-up funding in the

initial W-2 contracts for the 13 agencies that did not meet the right of first selection criteria for the new contracts.

Alternative A3	FED
1999-01 FUNDING (Change to Bill)	-\$2,915,100

B. Approval by the Joint Committee on Finance

1. Modify the Governor's recommendation by placing start-up funding in the Joint Committee on Finance's program supplements appropriation. The funding could be released under s. 13.10 upon approval by the Committee of a plan regarding the use of these funds submitted by the Department after more information is available regarding the number of new W-2 agencies for the next contract period.

Prepared by: Joanne T. Simpson



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June 1, 1999

Joint Committee on Finance

Paper #1085

TANF

W-2 Contracting Process (DWD -- Economic Support and Child Care)

[LFB 1999-01 Budget Summary: Page 701, #54]

CURRENT LAW

As a general provision, state law authorizes the Department of Workforce Development (DWD) to award a contract to any person to administer the W-2 program in a geographical area determined by DWD on the basis of a competitive process approved by the Department of Administration (DOA). The contract period must be for a term of at least two years.

The initial W-2 agency contracts covered the period from September 1, 1997, through December 31, 1999. The Department was required by state law to contract with a county or tribal governing body to administer W-2 if the county or tribal governing body met the aid to families with dependent children (AFDC) caseload performance standards established by the Department. Counties or tribal governing bodies that did not meet the performance standards were allowed to apply for a contract under a competitive process.

When the initial contract expires, a county or tribal governing body is allowed to apply for a new contract under the competitive process approved by DOA. A county or tribal governing body may elect not to enter into a contract if the county or tribal governing body informs DWD by the date established by the Department that the county or tribal governing body has made that election.

A county or tribal governing body that enters into a contract to administer W-2 but elects not to compete for a subsequent contract is required to provide notice to all employees and collective bargaining units of the employees who may be laid off as a result. This notice must be provided at least six months prior to the expiration of its contract, or by the date established by DWD, whichever is earlier. The notice must inform the employees and the representatives that: the agency will not enter into or compete for a contract; the employees may be laid off as a

result; and the employees may consider forming a private agency to bid on the contract and may obtain information from DWD on the competitive process, the contract requirements, and information on steps that the employees might take to organize themselves. The Department is required to provide this information upon request.

If no acceptable provider in a geographical area is selected to administer the W-2 program, DWD is required to administer the program in that geographical area. A county that is awarded a contract to administer W-2 is required under current law to offer a subcontract to the agency that administered the job opportunities and basic skills (JOBS) program in that county.

The department is required to establish performance standards for the administration of W-2. If a W-2 agency does not meet these standards, the department may withhold any or all payment from the W-2 agency.

Current state law also exempts DWD from certain standard contracting provisions. In particular, if the Secretary of DOA determines that it is in the best interest of the state to do so, he may waive certain procurement requirements with respect to the W-2 agency contracts if DWD presents the Secretary with a procurement process and the Secretary approves the process.

GOVERNOR

Modify the W-2 agency contracting process to require that DWD contract with an existing W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period, and allow a W-2 agency that has not met the performance standards established by the Department to apply for a contract under the competitive process.

As under current law, the Governor's recommendation would specify that an existing W-2 agency could elect not to enter into a new contract, but would have to inform the Department by the date established by the Department that the agency would not enter into the contract. Counties and tribal agencies that choose not to compete for a subsequent contract would continue to have to provide a notice to their employees at least six months prior to the expiration of the current contract. Further, the contract period would be for at least two years, as required under current law.

Finally, the bill would eliminate the requirement that the W-2 agency offer a subcontract to the agency that previously administered the job opportunities and basic skills program.

DISCUSSION POINTS

1. The current W-2 agency contracts began on September 1, 1997, and will end on December 31, 1999. The next W-2 agency contracts are expected to be implemented and issued for the period January 1, 2000, through December 31, 2001. A third contract period, then, is expected

for January 1, 2002, through December 31, 2003.

2. The Governor's proposal to require that DWD contract with an existing W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period, and to allow a W-2 agency that has not met the performance standards established by the Department to apply for a contract under the competitive process would apply to the third W-2 contracts covering the period January 1, 2002, through December 31, 2003, and any subsequent contracts. However, the process proposed by the Governor is currently being used by DWD for the contracts that will begin on January 1, 2000. As required under state law, DWD's contracting process was approved by DOA.

3. Although DWD was required to contract with counties or tribes that met AFDC caseload performance standards for the initial W-2 agency contracts, current law does not require the Department to renew a contract with a W-2 agency that has met performance standards. However, in November, 1998, DWD issued performance criteria under a right of first selection (ROFS) process that was used to determine which W-2 agencies would be given the opportunity to submit a plan to administer the W-2 program for the next W-2 contract without further competition. The ROFS criteria contained certain programmatic and financial standards.

4. There are currently 75 W-2 agencies administering the W-2 program in 80 geographic areas. On March 9, 1999, the Department announced that 62 out of the 75 current W-2 agencies were determined to have met the ROFS criteria. All of the Milwaukee W-2 agencies met these standards. Each of the eight non-county W-2 agencies also met these criteria. The remaining 13 agencies, which represent 17 geographic regions, would have to enter a competitive process. If successful, those agencies could be awarded the next contract.

5. The Department has indicated that it intends to use the base contract benchmark level of the performance standards included in the request for proposals (RFP) to administer the W-2 program as the right of first selection criteria for the third W-2 contract (January 1, 2002 through December 31, 2003). The criteria established by the Department include measures for: (a) employment of participants lasting 30 days or more; (b) the wage rate at employment; (c) job retention; (d) full and appropriate engagement of participants in required activities; (e) assigning appropriate basic education activities to participants who do not have a high school diploma; and (f) available employer-provided health insurance benefits for participants. In addition, there are two optional criteria: contracting with a faith-based provider and completion by participants of basic skills and job skills training. These criteria are discussed in more detail in a separate paper.

6. Several concerns have been raised with respect to the contracting process used by the Department. First, some agencies have expressed that adequate time and was not available between the time the ROFS criteria were issued in November, 1998, and the time the agency had to comply with the criteria. Most standards were based on the agency's performance as of January, 1999, two months after the criteria were first issued. Some agencies have argued that performance standards should be provided earlier in the contract period so that the agencies can know what is expected. As indicated above, the Department intends to use the performance standards included in

the RFP as the right of first selection criteria for the third W-2 agency contract.

7. Second, it has been argued that appropriate review and input from the W-2 agencies and the public regarding the ROFS criteria for the next W-2 agency contracts did not occur. Several agencies expressed concern that certain criteria included in the ROFS did not accurately reflect previous guidance from DWD. The Department has coordinated a committee composed of representatives of W-2 agencies throughout the state to discuss issues and to allow for agency input. Although this group was consulted regarding the right of first selection criteria, some have expressed concern that the views of this group were not taken into account.

8. A final concern is that the ROFS criteria were applied inconsistently across agencies. The Legislature has provided the Department with a significant amount of flexibility in determining the most appropriate contracting process and in allowing the Department to obtain exemptions from many provisions that apply to other contracts. DWD was granted this flexibility because it was implementing a major new initiative, and having more control over the contracting process could enhance the ability of the Department to implement the program in a more efficient manner. It has been argued that this flexibility has resulted in inconsistent treatment of agencies under the contracting process.

9. It is difficult to determine the validity of concerns about fairness and whether criteria have been applied consistently across agencies. However, providing additional legislative oversight or public review of the contracting process may help alleviate such concerns. Therefore, one option the Committee may wish to consider is to require public input and review for the W-2 program that is modeled after the process that the Department of Health and Family Services (DHFS) uses for the medical assistance (MA) managed care program.

10. The process used by DHFS is not governed by statute or rule. DHFS has formed a statewide advisory group (SWAG) that usually meets twice per year. This group addresses all issues related to managed care, not just the contracting process. The purpose of this group is to provide information about programs and policies, and to provide a forum to raise issues of concern to the public. Other regional forums and workgroups have also been formed which focus on specific issues and act in an advisory capacity to the SWAG. Issues or concerns raised at the statewide meetings often are discussed in more detail at the regional level meetings.

11. Any person interested in participating in any of the workgroups may attend the meetings, which are chaired by a representative from DHFS. An agenda is provided by DHFS, but issues not on the agenda may be discussed. Attendance at the meetings has varied from around 40 people to over 200 at a recent meeting regarding the BadgerCare program. Recommendations discussed at the meetings are analyzed by DHFS and incorporated into negotiations for contracts, if applicable, or addressed separately. Usually, recommendations are not presented in a formal manner. Not all recommendations may be incorporated into DHFS policy or procedures; however, the advisory group model allows for clarification of policies and provides a means for issues to be raised.

12. The Committee could modify the Governor's proposal by requiring DWD to contract with an existing W-2 agency to administer the W-2 program if that agency has met the performance standards established by the Department with input from a statewide advisory group. Under this option, DWD could be required to establish a process for public input into the W-2 program similar to the process established by DHFS with respect to the managed care program. In particular, DWD could be required to form a statewide advisory group, regional forums and special workgroups to address all issues of concern to interested parties. Further it could be specified that all members of the public may participate in the workgroups.

13. This option would address the procedure for awarding the third round of contracts, but would not address the concerns raised about the current contracting process.

14. As an additional alternative, the Senate Committee on Aging and Human Services has recommended that the Department be required to offer a contract to each W-2 agency that has administered the program since September, 1997, to continue to administer the program for an additional year, from January 1, 2000, to December 31, 2000. Further, the Senate Committee recommends that the Department be directed to include in the contract for calendar year 2000, specific outcome-based performance criteria to be used as the basis for the right of first selection for the subsequent contract, which would begin January 1, 2001. These criteria would be the same as those included in the request for proposals for administration of the W-2 agency contracts that was released in draft form on April 12, 1999, by the Department, and would include any modifications approved by the Legislature under AB 133. Finally, the Senate Committee recommends that the right of first selection criteria for the contracts commencing on January 1, 2001, and any subsequent contracts be promulgated as a rule.

ALTERNATIVES

1. Approve the Governor's recommendation to require that DWD contract with an existing W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period, and allow a W-2 agency that has not met the performance standards established by the Department to apply for a contract under the competitive process.

2. Modify the Governor's proposal by requiring DWD to contract with an existing W-2 agency to administer the W-2 program if that agency has met the performance standards established by the Department with input from a statewide advisory group. Require the Department to establish a process for public input into the W-2 program, including the contract process, similar to the process established by DHFS with respect to the managed care program, including forming a statewide advisory group, regional forums and special workgroups to address issues of concern to interested parties. Direct the Department to allow all members of the public to participate in the workgroups.

3. Modify the Governor's recommendation by requiring DWD to offer a contract to each W-2 agency that has administered the program since September 1997, to continue to administer the program for an additional year, from January 1, 2000, to December 31, 2000. Further, direct the Department to include in the contract for calendar year 2000, specific outcome-based performance criteria to be used as the basis for the right of first selection for the subsequent contract which would begin January 1, 2001. These criteria would be the same as those included in the request for proposals for administration of the W-2 agency contracts that was released in draft form on April 12, 1999, by the Department, and would include any modifications approved by the Legislature under AB 133. Finally, require DWD to promulgate rules regarding the right of first selection criteria for the contracts commencing on January 1, 2001, and any subsequent contracts.

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Joint Committee on Finance

Paper #1086

TANF

W-2 Agency Profits and Performance Standards (DWD -- Economic Support and Child Care)

[LFB 1999-01 Budget Summary: Page 680, #5]

CURRENT LAW

Current law does not include a specific formula or guidelines regarding how profit is calculated under the W-2 agency contracts.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Under the bill, \$7,490,700 in 1999-00 and \$14,981,300 in 2000-01 would be provided for performance bonuses under the next W-2 agency contracts which would begin January 1, 2000. In addition, the W-2 agency contracting process would be modified to require that DWD contract with an existing W-2 agency to administer W-2 if that agency has met the performance standards established by the Department during the immediately preceding contract period. The contract allocations and contracting process are each discussed in separate papers.

2. This paper addresses several issues regarding the profit formula in the next W-2 agency contracts. Under the next contracts, profit would be based on certain performance standards that have been included in the Department's request for proposals (RFP) for the administration of the W-2 program. In addition, the profit formula provides that certain funds would have to be

reinvested in the community. The performance standards and community reinvestment provisions are also discussed below.

Background Regarding Current W-2 Agency Contracts

3. The current W-2 agency implementation contract includes funding for subsidized employment benefits, W-2 office costs, and other program expenses. The contract period is September 1, 1997, through December 31, 1999. Each agency contract provides that any funding in excess of that used for benefits and other allowable expenses is to be distributed according to a formula developed by DWD.

4. The formula establishes a two-tier distribution system for excess agency funds. Under the first tier, the agency is allowed to retain an amount equal to 7% of the implementation contract amount as unrestricted profit. Under the second tier, any remaining surplus funds are divided between the agency and the state as follows: (a) 10% is retained by the agency for unrestricted use; (b) 45% is retained by the agency for reinvestment in the community; and (c) 45% is retained by the state. If unexpended funds are less than 7% of the contract amount, the entire surplus is retained by the agency and the second-tier calculation does not apply.

5. The contract provides for a preliminary profit distribution based on expenditures through August 31, 1998. Under the preliminary profit provisions, up to 75% of the unexpended funding for the first year of the contract could be distributed. Based on data through August 31, 1998, the maximum amount of unexpended funding that could have been distributed in 1998-99 was \$98.5 million. Of this amount: (a) up to \$25 million in unrestricted funds could have been retained by W-2 agencies (the 7% first-tier amount plus 10% of the remainder); (b) up to \$36.7 million could have been distributed to the agencies for community reinvestment statewide; and (c) up to \$36.7 million would have been retained by the state.

6. The 7% portion of preliminary profits was distributed in December, 1998. The remaining portion was to be distributed upon approved by DWD of a plan submitted by the agency for spending community reinvestment funds. The Department has approved plans for all but two agencies that submitted them.

7. Agencies were allowed to choose the amount of preliminary profit they would receive. Statewide, \$16.3 million was distributed from the 7% first-tier amount, \$2.6 million was distributed from the 10% second-tier amount, and \$13.7 million in community reinvestment dollars was requested.

8. The remaining portion of profit will be distributed within six months of the close of the current W-2 contract, which will expire on December 31, 1999. The state share of profit is estimated at \$95 million, and has been included in the estimate of profit return shown in a separate issue paper. These dollars are included in the revenues available for the W-2 and related programs.

9. Under the current profit formula, the amount of profit available to an agency directly

depends upon the amount of unspent funding available at the close of the contract period, without regard to the agency's success in placing W-2 participants in unsubsidized jobs. It has been argued that this arrangement may encourage agencies to focus more on reducing their expenditures than on providing services to eligible participants. The amount of profit available under the current contract has also been criticized as being excessive.

10. A recent report by the Legislative Audit Bureau suggests that the Legislature may wish to limit future profits to more reasonable levels by establishing more restrictive limits for profits under future W-2 contracts. Furthermore, the report suggests considering alternative incentives for prospective contractors, such as providing bonuses only if specific performance criteria are met.

11. As described in the following sections, the request for proposals for the next W-2 agency contracts both restricts the amount of profit contractors may earn and allows for such bonuses only if specific performance standards are met.

W-2 Agency Contracts: January 1, 2000 through December 31, 2001

12. On May 19, 1999, the Department issued the final request for proposals for local administration of the W-2 program for the next W-2 agency contract period. The RFP specifies that W-2 agencies will be required to meet certain performance criteria, as described in more detail below. For each of the six criteria, a three-standard system is established. Agencies must meet the base standard in order to meet the right of first selection criteria for the subsequent W-2 agency contract. Agencies meeting the second and third standards will be eligible for performance bonuses as described in the following paragraphs. The potential performance bonus amounts by agency are shown in Attachment 1. For the 24-month contract period, the statewide total profit allocation would be approximately \$30 million.

13. An amount equal to 7% of the total contract amount will be reserved for performance bonuses, of which 4% could be awarded for restricted-use bonuses and 3% could be awarded for unrestricted use. In order to obtain a portion of the 4% bonus, the agency would have to meet the second standard set forth in the performance criteria. If an agency meets or exceeds the second-level standard for a certain criterion, the agency would receive an amount equal to one-sixth of 4% of the total contract amount for that criterion. Use of these funds would be restricted to programs that meet temporary assistance to needy families (TANF) requirements identified in a plan submitted by the W-2 agency and approved by the Department. Although not identified as community reinvestment dollars under the RFP, the administration has indicated that these funds are to be invested in community programs.

14. In order to obtain a portion of the 3% bonus, the agency would have to meet or exceed the third standard set forth in the performance criteria. If an agency meets or exceeds the third-level standard for a certain criterion, the agency would receive an amount equal to one-sixth of 3% of the total contract amount for that criterion. Use of these funds would be unrestricted.

Performance Standards Under the RFP

15. As described above, the Department will issue performance bonuses to agencies that meet certain performance criteria. Under the RFP, these criteria are: (a) the entered employment placement rate; (b) the wage rate; (c) job retention and performance; (d) full and appropriate engagement of participants in required activities; (e) basic education for participants; and (f) available employer-provided health insurance benefits. In addition, there are two optional criteria: contracting with a faith-based provider and completion of skills training. Each of these criteria is described in more detail below.

The Entered Employment Rate

16. The entered employment rate is calculated as the number of W-2 subsidized employment, food stamp employment and training (FSET), and case management cases that receive full and part-time jobs lasting at least 30 days divided by the total number of such cases served by the agency. In order to meet the base level standard, 35% of the cases served by the agency must receive a full or part-time job lasting at least 30 days. The second level standard increases this percent to 40%, and under the third level standard the percentage is increased to 45%.

The Wage Rate

17. The base wage rate is defined as the wage rate attained during calendar year 1998 for the agency's FSET and W-2 participants that received full and part-time jobs, increased by 2.5%. Under the second level standard, the wage rate would have to be higher than the 1998 wage rate by 5%, and under the third level standard the percentage is increased to 10%. According to DWD, the average wage rate statewide in 1998 was \$6.51.

Job Retention

18. The job retention performance rate is calculated for each of the following: (a) the percentage of participants who have entered employment and remain employed after 30 days; and (b) the percentage of participants who have entered employment and remain employed after 180 days. Under the base-level standard for part (a), this percentage must equal or exceed 75%, increasing to 80% for the second-level standard, and to 85% for the third-level standard. Under the base level standard for part (b), this percentage must equal or exceed 50%, increasing to 55% for the second-level standard and to 60% for the third-level standard.

19. One potential problem with this criterion is that it is applied to all cases that have an entered employment transaction recorded. The term "entered employment transaction" is not defined; therefore, it is unclear how this criterion will be measured.

Full and Appropriate Engagement

20. Full and appropriate engagement is defined as: (a) having a current employability plan for participants; (b) for each individual who is required to participate in the FSET program,

engagement in appropriate activities for 27 hours per week; and (c) for each W-2 subsidized employment participant, engagement in appropriate activities for at least 30 hours per week. In addition, for each two-parent family not receiving state subsidized child care, either parent must be engaged in appropriate activities for 35 hours per week. For each two-parent family receiving state subsidized child care, both parents must be engaged for a total of 55 hours per week.

21. Under the base-level standard, the W-2 agency must show that 80% or more of the total adult participants in FSET and W-2 subsidized employment positions are engaged in appropriate activities as described above. Under the second-level standard, this percentage increases to 85%, and under the third-level standard this percentage increases to 90%.

22. The criterion set by the Department is problematic for three reasons. First, the Department would require that individuals who must participate in the FSET program would have to participate for a minimum of 27 hours per week. However, under current federal law, engagement in FSET activities may not exceed the monthly food stamp benefit for the participant's household divided by the minimum wage. The maximum monthly food stamp benefit for a family of three is \$329 per month, which would result in a maximum participation requirement of approximately 15 hours per week. For a family of two, the maximum participation rate would be about 11 hours per week.

23. Second, current state law provides an agency with the flexibility to assign participants to required work and educational and training activities. The W-2 agency may require a CSJ participant to work *up to* 30 hours per week in the CSJ and to participate in educational and training activities for *up to* 10 hours per week. Similarly, transitional placement participants may be required to engage in work activities (including alcohol and other drug abuse treatment, mental health activities, counseling and physical rehabilitation) for *up to* 28 hours per week and to participate in educational and training activities for *up to* 12 hours per week. The agency is given this flexibility in order to ensure that participants are engaged to the extent of their abilities. Because individuals remaining on the caseload are the hardest to serve cases, such cases may be limited in their ability to engage in activities. Under the RFP, agencies would have an incentive to assign activities to participants for 30 hours per week, even though it may not be in the best interest of the participant.

24. Finally, the Department's requirements for two-parent families do not conform with federal or state law. Under these laws, both parents would have to be engaged in work activities for 55 hours per week only if the family receives federally funded child care assistance and the second parent in the two-parent family is not disabled or caring for a severely disabled child. This criterion should be modified to exempt families who have a disabled member.

Basic Educational Activities

25. Under this criterion, appropriate education and training must be provided for all adult participants in the food stamp employment and training program and W-2 subsidized employment positions who do not have a high school diploma or its equivalent. Basic education

may include a high school diploma or its equivalent, literacy, job skills training and English as a Second Language (ESL). Under the base standard, W-2 agencies would have to show that at least 80% or more of participants who are not high school graduates are engaged in appropriate educational activities. Under the second level standard, this percentage increases to 85%, and under the third level standard, this percentage increases to 90%.

Available Employer-Provided Health Insurance Benefits

26. This criterion measures whether FSET and W-2 participants with an entered employment transaction have employer-provided health insurance available no later than 180 days after receiving a job. Under the base standard, at least 30% of participants who have entered employment must indicate that employer health insurance is available. Under the second level standard, this percentage increases to 35%, and to 40% under the third level standard.

Optional Criteria

27. The Department has included the following two optional criteria in the RFP. If an agency has not met the third-level standard for one of the other criteria, it may substitute one of the optional criteria and be eligible to receive the 3% funding for that criterion, if it has met both the base standard and the second-level standard as well.

28. *Faith Based Contracts.* This criterion can be invoked if a W-2 agency has entered into a contract with a faith-based provider to provide face-to-face services to W-2 participants in return for funding from the W-2 agency contract, and a contract with a faith-based provider is signed and in effect for seven of the eight quarters of the W-2 contract period.

29. Under current state law, the Department and its contractors are allowed to contract with religious organizations under any program administered by the Department, on the same basis as any other non-governmental provider without impairing the religious character of the organization and without diminishing the religious freedom of beneficiaries of assistance under the programs. The Department has indicated that this criterion would encourage W-2 agencies to contract with religious organizations.

30. State law specifies that religious organizations are eligible, on the same basis as any other private organization, as contractors. However, the criterion established by the Department does not require that the faith-based provider be the best provider of the services. Therefore, by allowing a W-2 agency to use this criterion as a substitute for a performance standard that is used in determining the agency's unrestricted profit amount, faith-based providers would have an advantage over other community organizations that may be better providers.

31. *Basic Skills/Job Skills Attainment.* Under this criterion, 50% of the W-2 agency's subsidized employment and FSET participants that are assigned to basic skills or job skills

training must complete the required training successfully. This standard is a measure of whether agencies are providing training activities that are appropriate for participants.

Options for Additional Legislative Oversight

32. In a letter to the Secretary of DWD dated December 2, 1998, the Co-chairs of the Joint Committee on Finance encouraged the Department to base any profit calculation under the new W-2 agency contracts on measures of agency performance including the placement of W-2 applicants and participants into unsubsidized jobs, whether the jobs are full-time or part-time, job retention by former applicants or participants, wages and benefits earned by former applicants or participants, appropriate implementation of all components of the program and customer satisfaction. In addition, the Co-chairs indicated that the new contracts should not permit agencies to receive profits based on caseload decreases or reduced agency spending that are not directly attributable to placement of W-2 participants in unsubsidized employment. The Co-chairs also encouraged the Department to develop a system to track former applicants and participants to ensure that agency performance is reliably measured.

33. In response, DWD has incorporated several of the measures described above into the performance criteria included in the draft RFP. If the Committee wishes to ensure that these measures are included in future contracts, and to include the additional measures outlined by the Co-chairs (such as customer satisfaction), the Committee could place these general guidelines in the statutes.

34. Certain criteria in the RFP raise issues that the Committee may wish to address. Additional legislative oversight and public input could help address these issues for future contracts as well. The Senate Committee on Aging and Human Services has recommended that the Department be required to promulgate rules regarding the outcome-based criteria and profit formula that would be used for any future contracts.

35. Finally, as noted earlier, a portion of the profit would be used for reinvestment in the community (called the "restricted use performance bonus" under the RFP) under a plan approved by the Department. Concerns have been raised regarding the community reinvestment funding under the current profit formula. Currently, the Legislature maintains no oversight with regard to how an agency spends community reinvestment dollars. Funds are distributed according to guidelines established by the Department.

36. One concern that agencies have raised is that the criteria for use of the community reinvestment funds were released within a short period of time prior to the due date for the submission of community reinvestment plans to the Department last fall when the preliminary profit formula was calculated. Agencies have indicated that there was insufficient time to coordinate with other organizations within their communities and to develop adequate proposals. Therefore, 20 agencies did not access these funds, and 15 agencies requested less than the full amount available.

37. In addition, the guidelines established by the Department were developed prior to the release of final federal regulations regarding the use of funding under the TANF program. Therefore, the Department's guidelines were somewhat restrictive about how the community reinvestment funding could be used. Several agencies have expressed that additional flexibility would be advantageous. The Department could include additional flexibility in future guidelines.

38. Community reinvestment dollars could be used to meet pressing needs in the community, and the Legislature has an interest in ensuring that funding is provided to programs in need of additional resources. Therefore, to provide additional legislative oversight, the Committee may wish to require that DWD promulgate administrative rules regarding the criteria for use of the community reinvestment funding.

39. However, one disadvantage to the rule-making process is that rules would likely not become effective prior to the end of the current contract period on December 31, 1999. In order to provide additional legislative oversight into the guidelines to be used under the final profit distribution for community reinvestment funds, the Committee could require the Department to submit proposed guidelines to the Joint Committee on Finance, under a 14-day passive review process.

ALTERNATIVES

A. Modifications to the Current RFP

The following four alternatives are intended to provide guidance to the Department in developing performance standards for the W-2 agency contracts for the period January 1, 2000 through December 31, 2001.

1. Direct the Department to amend the request for proposals for administration of the W-2 program for the period January 1, 2000 through December 31, 2001 to define the term "entered employment transaction" under the job retention performance criterion.
2. Direct the Department to eliminate the "full and appropriate engagement" criterion.
3. Direct the Department to modify the "full and appropriate engagement" criterion as follows: (a) define full and appropriate engagement for each individual who is required to participate in the FSET program as engagement in activities equal to the household's monthly food stamp benefit divided by the minimum wage; (b) eliminate the provision that would specify that full and appropriate engagement for W-2 subsidized employment participants is engagement in appropriate activities for at least 30 hours per week; and (c) clarify that for two-parent families, engagement in work activities is defined as 55 hours per week for both parents if the family is receiving federally funded child care assistance and the second parent in the family is not disabled or caring for a severely disabled child.

4. Direct the Department to eliminate the faith-based provider criterion.

B. Ongoing Statutory Changes

1. Modify the bill by adopting statutory provisions to require DWD to base any profit calculation under the W-2 agency contracts on measures of agency performance including: (a) the placement of W-2 applicants and participants into unsubsidized jobs; (b) whether the jobs are full-time or part-time; (c) job retention by former applicants or participants; (d) wages and benefits earned by former applicants or participants; (e) appropriate implementation of all components of the program; and (f) customer satisfaction. In addition, specify that W-2 agency contracts may not permit agencies to receive profits based on caseload decreases or reduced agency spending that are not directly attributable to placement of W-2 participants in unsubsidized employment. Finally, require the Department to develop a system to track former applicants and participants to ensure that agency performance is reliably measured.

2. Modify the bill by requiring the Department to promulgate rules regarding the outcome-based performance criteria and profit formula that would be used for any W-2 agency contracts.

3. Modify the bill by requiring the Department to promulgate administrative rules regarding the criteria for use of the community reinvestment funding (called the "restricted use performance bonus" under the RFP for the next W-2 agency contracts).

4. Modify the bill by requiring the Department to submit proposed guidelines for the use of the community reinvestment funding under the current W-2 agency contracts to the Joint Committee on Finance, under the 14-day passive approval process.

Prepared by: Joanne T. Simpson
Attachment

ATTACHMENT 1

Performance Bonus Allocation For W-2 Agency Contracts January 1, 2000, through December 31, 2001

	<u>Total Allocation</u>	<u>7% Performance Bonus</u>	<u>4% Community Reinvestment</u>		<u>3% Unrestricted</u>	
			<u>Total</u>	<u>Per Criterion</u>	<u>Total</u>	<u>Per Criterion</u>
Adams	\$509,300	\$35,700	\$20,400	\$3,400	\$15,300	\$2,500
Ashland	688,400	48,200	27,500	4,600	20,700	3,400
Barron	1,386,500	97,100	55,500	9,200	41,600	6,900
Bayfield	400,000	28,000	16,000	2,700	12,000	2,000
Brown	4,293,600	300,600	171,700	28,600	128,800	21,500
Buffalo	450,000	31,500	18,000	3,000	13,500	2,300
Burnett	450,000	31,500	18,000	3,000	13,500	2,300
Calumet	578,700	40,500	23,100	3,900	17,400	2,900
Chippewa	1,846,200	129,200	73,800	12,300	55,400	9,200
Clark	640,300	44,800	25,600	4,300	19,200	3,200
Columbia	908,000	63,600	36,300	6,100	27,200	4,500
Crawford	300,000	21,000	12,000	2,000	9,000	1,500
Dane	19,418,100	1,359,300	776,700	129,500	582,500	97,100
Dodge	1,766,200	123,600	70,600	11,800	53,000	8,800
Door	720,500	50,400	28,800	4,800	21,600	3,600
Douglas	3,271,600	229,000	130,900	21,800	98,100	16,400
Dunn	1,665,600	116,600	66,600	11,100	50,000	8,300
Eau Claire	3,607,800	252,500	144,300	24,100	108,200	18,000
Florence	150,000	10,500	6,000	1,000	4,500	800
Fond du Lac	3,184,700	222,900	127,400	21,200	95,500	15,900
Forest	300,000	21,000	12,000	2,000	9,000	1,500
Grant	842,400	59,000	33,700	5,600	25,300	4,200
Green	689,500	48,300	27,600	4,600	20,700	3,400
Green Lake	615,400	43,100	24,600	4,100	18,500	3,100
Iowa	500,000	35,000	20,000	3,300	15,000	2,500
Iron	150,000	10,500	6,000	1,000	4,500	800
Jackson	716,400	50,100	28,700	4,800	21,500	3,600
Jefferson	1,161,900	81,300	46,500	7,700	34,900	5,800
Juneau	1,463,700	102,500	58,500	9,800	43,900	7,300
Kenosha	10,621,000	743,500	424,800	70,800	318,600	53,100
Kewaunee	250,000	17,500	10,000	1,700	7,500	1,300
La Crosse	4,744,600	332,100	189,800	31,600	142,300	23,700
Lafayette	200,000	14,000	8,000	1,300	6,000	1,000
Langlade	994,500	69,600	39,800	6,600	29,800	5,000
Lincoln	688,200	48,200	27,500	4,600	20,600	3,400
Manitowoc	882,300	61,800	35,300	5,900	26,500	4,400
Marathon	4,222,400	295,600	168,900	28,100	126,700	21,100
Marinette	878,800	61,500	35,200	5,900	26,400	4,400
Marquette	400,000	28,000	16,000	2,700	12,000	2,000
Menominee	819,800	57,400	32,800	5,500	24,600	4,100
Milwaukee - Region 1	42,595,400	2,981,700	1,703,800	284,000	1,277,900	213,000
Milwaukee - Region 2	43,239,000	3,026,700	1,729,600	288,300	1,297,200	216,200

ATTACHMENT 1 (continued)

	Total <u>Allocation</u>	7% Performance <u>Bonus</u>	4% Community Reinvestment		3% Unrestricted	
			<u>Total</u>	<u>Per Criterion</u>	<u>Total</u>	<u>Per Criterion</u>
Milwaukee - Region 3	\$55,050,600	\$3,853,500	\$2,202,000	\$367,000	\$1,651,500	\$275,300
Milwaukee - Region 4	53,162,900	3,721,400	2,126,500	354,400	1,594,900	265,800
Milwaukee - Region 5	48,988,500	3,429,200	1,959,500	326,600	1,469,700	244,900
Milwaukee - Region 6	52,592,500	3,681,500	2,103,700	350,600	1,577,800	263,000
Monroe	\$1,794,300	\$125,600	\$71,800	\$12,000	\$53,800	\$9,000
Oconto	766,700	53,700	30,700	5,100	23,000	3,800
Oneida	1,295,800	90,700	51,800	8,600	38,900	6,500
Outagamie	3,912,200	273,900	156,500	26,100	117,400	19,600
Ozaukee	808,100	56,600	32,300	5,400	24,200	4,000
Pepin	200,000	14,000	8,000	1,300	6,000	1,000
Pierce	736,000	51,500	29,400	4,900	22,100	3,700
Polk	846,900	59,300	33,900	5,600	25,400	4,200
Portage	1,464,700	102,500	58,600	9,800	43,900	7,300
Price	744,900	52,100	29,800	5,000	22,300	3,700
Racine	8,307,300	581,500	332,300	55,400	249,200	41,500
Richland	450,000	31,500	18,000	3,000	13,500	2,300
Rock	5,352,500	374,700	214,100	35,700	160,600	26,800
Rusk	400,000	28,000	16,000	2,700	12,000	2,000
Sauk	1,248,800	87,400	50,000	8,300	37,500	6,200
Sawyer	834,000	58,400	33,400	5,600	25,000	4,200
Shawano	1,216,600	85,200	48,700	8,100	36,500	6,100
Sheboygan	1,754,800	122,800	70,200	11,700	52,600	8,800
St. Croix	842,900	59,000	33,700	5,600	25,300	4,200
Taylor	450,000	31,500	18,000	3,000	13,500	2,300
Trempealeau	854,500	59,800	34,200	5,700	25,600	4,300
Vernon	597,000	41,800	23,900	4,000	17,900	3,000
Vilas	450,000	31,500	18,000	3,000	13,500	2,300
Walworth	2,082,700	145,800	83,300	13,900	62,500	10,400
Washburn	505,000	35,400	20,200	3,400	15,200	2,500
Washington	1,658,200	116,100	66,300	11,100	49,700	8,300
Waukesha	4,043,400	283,000	161,700	27,000	121,300	20,200
Waupaca	1,291,700	90,400	51,700	8,600	38,800	6,500
Waushara	749,400	52,500	30,000	5,000	22,500	3,700
Winnebago	4,253,800	297,800	170,200	28,400	127,600	21,300
Wood	2,752,700	192,700	110,100	18,400	82,600	13,800
Bad River Tribe	400,000	28,000	16,000	2,700	12,000	2,000
Lac du Flambeau Tribe	1,350,600	94,500	54,000	9,000	40,500	6,800
Oneida Tribe	<u>616,300</u>	<u>43,100</u>	<u>24,700</u>	<u>4,100</u>	<u>18,500</u>	<u>3,100</u>
Statewide Total	\$428,037,400	\$29,962,600	\$17,121,500	\$2,853,600	\$12,841,100	\$2,140,200

Note: Current Providers in Milwaukee Regions:
 Region 1 - YW Works
 Region 2 - United Migrant Opportunity Services, Inc.
 Region 3 - Opportunities Industrialization Center of Greater Milwaukee
 Region 4 - Employment Solutions, Inc.
 Region 5 - Employment Solutions, Inc.
 Region 6 - MAXIMUS, Inc.