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State of Wisconsin
Department of Workforce Development

FOR RELEASE

Tuesday, March 9, 1999

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Secretary

Linda Stewart

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State of Wisconsin
Department of Workforce Development

62 agencies qualify for early W-2 service contract renewal

Madison, Wis. – A total of 62 W-2 agencies have qualified for “fast track” renewal of their service contracts, a state official announced today.

“This means these agencies have been approved for a ‘right of first selection’ and won’t have to participate in open competition for the next contract because of their documented excellent past performance,” according to Jean Rogers.

Rogers, Economic Support Division administrator in the State Department of Workforce Development (DWD), said the process being followed to award the next contracts is modeled on the one used to determine the current contractors, the majority of whom are counties.

The agencies still need to agree to new contracts to complete the renewal process.

“It is a pleasure to say that all 75 of our W-2 agencies have done a fine job at serving participants,” Rogers said.

“In addition, the 62 agencies approved for the right-of-first selection have done an exceptional job in meeting the program, financial and administrative criteria.”

Rogers said the next contracts will be for two calendar years, beginning Jan. 1, 2000. Current contracts are for 28 months as the program began during a calendar year -- in September, 1997 -- and expire Dec. 31.

The Department administers W-2, or Wisconsin Works, the state’s pioneering work-based welfare reform program. The agency contracts with service providers, usually within each county, to provide W-2 services. Five agencies provide services in Milwaukee County, while five counties are served by one consortium and two contractors are Indian tribes.

(more)

The remaining agencies -- 13 in all -- remain eligible for renewal of their contracts later this year. "Those not accorded the 'right of first selection' are encouraged to compete and still may be selected if they submit the best proposal," Rogers said.

"These 62 agencies already have competed in the original -- and fairly recent -- selection process for the contracts they now have, and they have met or surpassed the standards we set for an early renewal decision."

The decisions announced today were made by DWD staff based on applications submitted by W-2 agencies and after a review of performance data they provided in support of their request.

The criteria required agency officials to look at the size of caseloads assigned to agency staff, whether W-2 participants had sound employability plans to help them find and keep jobs, the success of those who left the program in developing self-sufficiency, and other factors.

"These criteria were used to determine which agencies demonstrated the best practices during this challenging first-ever W-2 contract period," Rogers noted.

The list of agencies approved for "right of first selection" are (county-managed agencies unless otherwise noted):

Adams, Ashland, Barron, Bayfield, Brown, Buffalo, Calumet, Clark, Columbia, Crawford, Dane, Door, Dunn, Eau Claire, Fond du Lac, Forest (Forward Service Corp.), Green Lake, Iron, Jackson, Jefferson, Juneau (Western Wisconsin Private Industry Council), Kewaunee (Forward Service Corp.), La Crosse, Langlade, Lincoln, Marathon, Marinette, Marquette, Menomonie, and Milwaukee (Employment Solutions, MAXIMUS, Opportunities Industrialization Center of Greater Milwaukee [OIC-GM], United Migrant Opportunities Services [UMOS], and YW Works).

Also: Oconto, Oneida (Forward Service Corp.), Outagamie, Ozaukee, Pepin, Pierce, Polk, Portage, Price, Racine, Rusk, St. Croix, Sauk, Sawyer, Shawano (Shawano County Job Center), Sheboygan, Taylor, Trempealeau, Vernon, Vilas (Forward Service Corp.), Walworth (Kaiser Group), Washburn, Washington, Waukesha (Curtis and Associates), Waupaca, Winnebago, and Wood, and the Bad River Tribe.

Those remaining eligible for contract renewal in a competitive process later this year are (county-managed agencies unless otherwise noted): Burnett, Chippewa, Dodge, Douglas, Florence, Kenosha, Manitowoc, Monroe, (Rock) and Waushara, the W-2 Southwest Consortium composed of Grant, Green, Iowa, Lafayette, and Richland counties, and the Lac du Flambeau and Oneida Tribes.

In the continuing contract process, all agencies will be required to submit a plan describing how they intend to operate the program, subject to Department approval. This step also parallels the process used in selecting the current contractors.

Rogers said the Department used its W-2 reporting system, nicknamed CARES, as the basis for determining program performance. CARES stands for Client Assistance for Reemployment and Economic Support.

Tommy G. Thompson
Governor

Linda Stewart, Ph.D.
Secretary



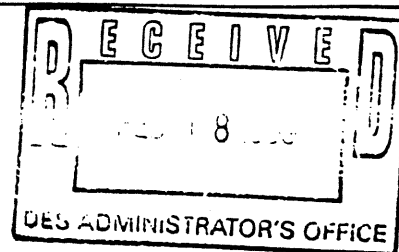
State of Wisconsin

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February 17, 1999

Janice Mueller, State Auditor
Legislative Audit Bureau
131 West Wilson Street
Madison WI 53703



Dear Ms. Mueller:

Thank you for the opportunity to review and provide a response to the Legislative Audit Bureau (LAB) report on the first year of operation of the Wisconsin Works (W-2) program. The Department appreciates the professional manner in which LAB staff approached this topic.

First, the Department wishes to emphasize that profits referred to in the report are projections, not actual figures. Profits drawn to date by W-2 agencies for moving people from welfare to work are actually 50 percent less than the profits identified in the report.

Second, agency profits are the result of unprecedented caseload reductions due to better than expected performance on the part of contractors. Wisconsin's dramatic and national trend-setting caseload reductions were made possible by the dedication and performance of these pioneering agencies that accepted the challenge to eradicate the AFDC legacy of intergenerational poverty and to assist families in achieving economic self-sufficiency. This is an extraordinary achievement.

Third, the significant decrease in the cash benefit caseload has also meant that funds are available to support expanded services for low income families, as announced by Governor Thompson on February 16, 1999. Included are initiatives to:

- Lower child care co-pay from 16 percent to 12 percent of family income.
- Increase child care eligibility to 185 percent of the federal poverty level.
- Expand child care services for disabled children.
- Increase training and scholarships for child care workers.
- Create a Community Youth grant program.
- Support workforce attachment for families up to 200 percent of the federal poverty level.

Fourth, unlike most public sector contracts, W-2 contracts required agencies to assume a substantial risk. The risk agencies took in agreeing to implement W2 was unprecedented in the 60-year history of the federal government's troubled welfare program. Under the failed AFDC system, no limits were placed on the amount of funds available to provide cash assistance to recipients.

Janice Mueller, State Auditor

February 17, 1999

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This all changed under the first round of W2 contracts. No longer were contractors simply reimbursed because they spent money. The W-2 contracts required agencies to provide services to all eligible persons within the limited funds provided. The W2 agencies were expected to perform within established budget limits, and the measure of performance under the contracts was moving people from welfare to work.

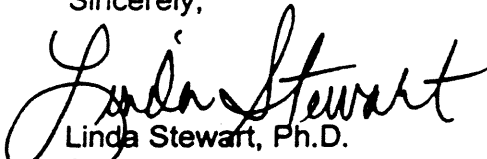
For the next round of contracts, the Department will restrict the amounts of total profit available to agencies and move to a performance bonus model. Contracts will include a variety of performance standards that address both the quality and quantity of service provided. The Department is proposing that a cap of seven percent of the total contracts be reserved for performance bonuses. It will be necessary for an agency to achieve minimum levels of performance to receive bonus funding. Two percent of the total contract funds will be available for meeting the base performance criteria, and the remaining five percent will be available to recognize exceptional performance.

In conclusion, I would like to highlight something that was indicated in the report. That is, that the information presents a snapshot view of activity through the 12th month of a 28 month contract. The calculations of profit and community reinvestment are preliminary until the contract is closed out. Agencies are responsible for meeting their contract obligations through the full 28 months, so to the extent expenditure patterns differ in the last 16 months of the contract compared to the first 12, the impressions contained in the report will need to be modified.

We believe strongly that W-2 contractors should be commended for their outstanding performance in reducing caseloads and assisting individuals enter the world of work.

Thank you again for the opportunity to review and comment on your report.

Sincerely,


Linda Stewart, Ph.D.
Secretary

DEPARTMENT OF WORKFORCE DEVELOPMENT
1999-2001 BIENNIAL BUDGET
Issue Paper

Issue: W-2 Contract Model

The current W-2 contracts expire on December 31, 1999. The next round of contracts will be finalized prior to that date. The Department is currently in the process of finalizing how funds will be allocated to agencies for this 2nd round of contracts. The design of the W-2 contracts will be guided by the following assumptions/principles.

1. Contracts will run for a period from January 1, 2000 to December 31, 2001.
2. Contracts will require W-2 agencies to provide an array of services, with increased expectations for performance that will be quantitatively measured.
3. Contract amounts will be based upon current caseload and expenditure data, which may include: W-2 cash benefit cases, custodial parent of infant cases, W-2 case management only cases, FSET cases, non-custodial parent cases and other cases currently served by W-2 agencies.
4. Some recognition will be given to those counties that have a large percentage of refugee/long-term cases.
5. Administrative costs will be measured against expenditures, not contract amounts. TANF administrative costs will be limited to 15% of actual costs rather than the current 10% of contract.
6. Transfers between the office and benefits allocations will continue to be allowed.
7. Contract allocations will not prescribe a specific staffing pattern, rather office amounts will be based on caseload. Given the extensive variations among and between agencies concerning staff costs and service delivery approaches (e.g., services provided by staff versus contracted out) developing an allocation which combines funds for staffing and services provides the most flexibility. Each office must have at least one FEP.
8. As a part of the RFP process, a minimum agency amount will be established which includes the funds for both staffing and services for small agencies and recognizes the need for maintaining an access point for the programs covered by the contract.
9. Recognizing that Milwaukee has a unique structure with six different geographic areas, contract amounts in Milwaukee County will reflect the need to support an administrative structure that allows the close coordination between the various agencies in the county.
10. In order to address possible caseload increases between the time the RFP for the 2000-2001 contract is issued and the time contracts are signed and effective, a reserve equal to 10% of the contract amount (\$45.8 million), including both benefits and office, will be held by the Department and allocated, if necessary, to selected W-2 agencies.

11. During the contract period the state will maintain a \$100 million contingency fund. The Department will develop specific criteria to more clearly define the parameters for accessing the contingency fund.
12. Profit will no longer be based on the difference between estimated and actual expenditures, rather it will be performance-based. Performance criteria may include:
 - Meeting federal work requirements (participation rates)
 - Administrative efficiency as measured by staying within certain cost per case parameters.
 - Recidivism as measured by the return of a program participant who was in a W-2 subsidized employment position and then moved to an unsubsidized position and then returned to the same W-2 agency in a subsidized position.
 - Placements, which may include such factors as number of full time placements, the wage rate at placement and the number of placements with employer provided fringe benefits, including health insurance.
 - Engagement in appropriate activities for all categories of cases, including FSET. Appropriate activities would include education for all participants who do not have a high school diploma or equivalent.
 - Customer satisfaction, which may include responsiveness to customers, availability of case workers and fact finding results)
13. 7% of the total contract will be reserved for performance bonuses. Successfully meeting performance expectations is necessary for an agency to receive performance bonus funding. Contractor performance earnings are limited to 2% of the base contract if the agency meets all of the base performance criteria described above and an additional 5% of contract amounts for exceptional performance in designated performance areas.
14. Use of the 2% performance bonus is unrestricted. Use of the 5% performance bonus is restricted.

DEPARTMENT OF WORKFORCE DEVELOPMENT
DIVISION OF ECONOMIC SUPPORT
ADMINISTRATOR'S MEMO SERIES
99-03

NOTICE

January 26, 1999

DISPOSAL DATE: 12/31/99

RE: UPDATED INFORMATION ON RIGHT
OF FIRST SELECTION FOR THE NEXT
W-2 CONTRACTS

To: W-2 Agency Directors
From: J. Jean Rogers
Administrator

This memo includes clarifications and revisions to assist Wisconsin Works (W-2) agencies in meeting Right of First Selection for the next W-2 Contract, based on feedback received from W-2 agencies. With the addition of these clarifications and revisions, the Right of First Selection benchmark criteria previously outlined in Administrator's Memos 98-32 and 98-38 are still in effect.

A. Financial Right of First Selection

The Additional Factors for Small Office Expenses or Ratio of Expenses are revised as follows:

1. W-2 Agencies Bigger than Small Offices: Cases included in this calculation will include child care only and diversion cases, in addition to the W-2 benefits, W-2 case management or the Food Stamp Employment and Training (FSET) cases.
2. FSET: (no change)
3. Significant Caseload Reduction During the Contract: Caseload reduction calculations will be based on reductions under both the W-2 Start-up Contract period (starting March 1, 1997) and the W-2 Implementation Contract period.
4. Exceptional Program: (no change)
5. Seasonal Employment: To supplement small office expenses and the ratio for expenses, an additional amount (up to ten percent) if the Division of Economic Support (DES) determines, based on seasonal employment data and a request and documentation submitted by the W-2 agency to the DES W-2 Contract Manager by February 5, 1999, that there are large amounts of seasonal employment in the W-2 agency's geographic area.

After Administration Cap, the sequence of the calculations for Financial Right of First Selection will be performed in the following order, continuing in the sequence to Ratio of Expenses only if the W-2 agency does meet the criteria under Small Office Expenses or Additional Factors for Small Office Expenses:

1. Small Office Expenses;
2. Additional Factors for Small Office Expenses (including W-2 Agencies Bigger than Small Offices);
3. Ratio of Expenses; and
4. Additional Factors for Ratio of Expenses.

B. Program Right of First Selection

As the Client Assistance Reemployment and Economic Support (CARES) system will close effective 5:00 PM, Friday, January 29, 1999 for the end of the month processing, all report criteria previously indicated

as January 31, 1999, will be measured based on entries made by 5:00PM January 29, 1999. Updates or clarification to the Program Right of First Selection is as follows:

Base Criteria

1. Caseload Ratio: The criterion will be measured as of Friday, January 29, 1999.
2. Full Engagement: The criterion will be measured as of Friday, January 29, 1999. There may be some exceptions to this requirement due to medical limitations or other special circumstances. Workers may code the hours that individuals are unable to participate with the program activity code "physical rehabilitation (PR)." Although this code has primarily been used to describe medical physical rehabilitation, DES has indicated to use this code to reflect assigned activities such as bed rest or self-care, as the code is not used for federal reporting requirements. Detailed documentation must be included on the appropriated CARES screens, employability plan (EP) and evidence of continued contact indicated on Case Comments (CMCC). Participants who have been appropriately assigned, as per a medical or other professional, to 30 or more hours of activities such as mental health counseling (CM), Alcohol and Other Drug Abuse (AODA) counseling (CA), or caring for a disabled child (CD), are not required to be included on the list of cases for the exception review.

Cases that are granted an exception, result in a reduction of the total number of cases considered in the Full Engagement criteria and the resulting ratio. For example, a W-2 agency with 100 W-2 employment position cases requires 80 cases to meet the Full Engagement criteria. The W-2 agency submits 25 cases to be reviewed to meet the exception criteria. All 25 cases are approved, reducing the total cases to 75 and leaving a 60/15 case ratio.

3. CARES Employability Plans: This criterion will be measured as of Friday, January 29, 1999. [NOTE: This change of date ensures that employability plans with an expiration date of January 31, 1999 are not included in the cases being reviewed for Program Right of First Selection.]
4. Recidivism: (no change)

Best Practice Criteria

1. Provider Services (no change)
2. Special Projects (no change)
3. Child Care Provider Information (no change)
4. Pursuit of General Equivalency Diploma/High School Equivalency Diploma: This criterion will be measured as of January 29, 1999.

C. Discrepancy Review Process

While DES Right of First Selections criteria/standards themselves cannot be revisited, (see note below) a discrepancy review process has been developed in order that W-2 agencies can question areas where they feel DES may have made a calculation error, or has misinterpreted or overlooked pertinent information on CARES or Community Aids Reporting System (CARS).

[NOTE: The DES RFS criteria/standards include:

- The Financial and Program RFS criteria/benchmarks;
- The requirement for 16 months of CARS reports receipt;
- CARS reports data compilation;
- Appendix C of the Wisconsin Works Implementation Contract (W-2 Contract);
- Deobligation of adjustments beyond prior consideration;
- Financial RFS add-on criteria will only be allowed if the agency has meet the Program RFS criteria;
- CARES case updates not completed by identified deadlines;
- RFS documentation not been submitted to the DES W-2 Contract Manager by 4:30 PM, on Friday, January 29, 1999;
- Any request for review of exception cases not submitted to the DES W-2 Contract Manager by 4:30 PM on January 29, 1999;

- CARES entries on appropriate screens, including case comments on CMCC, to support exception cases not completed by the identified deadline dates.]

W-2 agencies who have not met the Right of First Selection (RFS) based on the preliminary review by DES will be notified of the preliminary RFS finding. These notices will be issued in mid February 1999. The reason the W-2 agency has not met the RFS will be indicated. W-2 agencies who believe an error has been made regarding RFS may submit a discrepancy review request. Discrepancy review requests are only for criteria which the W-2 agency has not met, and would result in passing both the Financial and Program RFS criteria. The W-2 agency must submit the request in writing to the DES W-2 Contract Manager within five (5) work days of the issuance of the preliminary RFS finding notice.

The W-2 agency must submit sufficient information within the discrepancy review request to document the discrepancy without requiring review of any additional materials outside of the CARES or CARS systems. Discrepancy review requests must include the following:

1. For Financial Right of First Selection, the mathematical or calculation error by DES regarding any of the Financial RFS criteria.
2. For Program Right of First Selection:

Base Criteria

- Caseload ratio decisions based on EOS report CRP740RB which are believed to be in error, along with the FEP caseload's case number(s).
- Full Engagement decisions based on either the EOS report or the exception review, which are believed to be in error. The W-2 agency must submit any appropriate CARES screens to support the claim (e.g., case/PIN number, CMCC, ANIC, ANDI).
- Employability Plan decisions based on EOS report CRP748RB, which are believed to be in error, along with the supporting CARES case/PIN number, and the CARES Employability Plan.
- Recidivism decisions based on EOS report code CT04 or the exemption due to seasonal employment which are believed to be in error, along with the CARES case/PIN number.
- Agency Plan decisions which are believed to be in error, along with the Agency Plan item and an explanation why it is believed it meets the criteria.

Best Practices Criteria:

- Provider Service decisions which are believed to be in error, identifying the faith-based contracted service and an explanation why it is believed the contract meets the criteria.
- Special Project decisions which are believed to be in error and an explanation of why it is believed the special project meets the criteria.
- Child Care Provider decisions which are believed to be in error, and an explanation of why it is believed the special project meets the criteria.
- Pursuit of General Equivalency Diploma/High School Equivalency Diploma decisions based on EOS report code C767 which are believed to be in error, along with the CARES case/PIN number and appropriate screen to support the claim.

REGIONAL OFFICE CONTACT: DES Area Administrator

cc DES Bureau/Office Directors
DES Area Administrators/Assistant Area Administrators
Section Chiefs

INTER-DEPARTMENTAL

DEPARTMENT OF WORKFORCE DEVELOPMENT
DIVISION OF ECONOMIC SUPPORT
ADMINISTRATOR'S MEMO SERIES

NOTICE 98-32

November 13, 1998

DISPOSAL DATE: 12/31/99

RE: RIGHT OF FIRST SELECTION FOR
THE NEXT WISCONSIN WORKS
CONTRACTS (STARTING
JANUARY 2000)

To: W-2 Agency Directors

From: J. Jean Rogers
Administrator

The Right of First Selection process will determine which Wisconsin Works (W-2) Agencies will have the opportunity to submit a plan to administer W-2 for the next W-2 Contract in their current W-2 geographic area without further competition. The criteria for Right of First Selection are defined by the Department of Workforce Development (DWD) separate from the performance standards incorporated in Appendix D to the current Wisconsin Works Implementation Contract ("W-2 Contract") and separate from monitoring measures for the current W-2 Contract.

There are Financial Right of First Selection criteria and Program Right of First Selection criteria. The Financial Right of First Selection criteria focus on good financial practices under the current W-2 Contract. In addition to the Financial Right of First Selection criteria, Program Right of First Selection criteria focus on good W-2 program practices. A current W-2 Agency must meet both the Financial and the Program Right of First Selection criteria to meet Right of First Selection requirements.

Based on a significant amount of W-2 Agency input, both the Financial Right of First Selection and the Program Right of First Selection criteria have been modified from those originally proposed by the Department. Thanks to all of you who participated in the process by contributing your impressions and perspective. As a result, several adjustment factors have been incorporated in order to address the significant differences between agencies.

FINANCIAL RIGHT OF FIRST SELECTION

The Financial Right of First Selection criteria have two categories (Administration Cap and Services/Administration Expenses), and acceptable performance in both categories is required for Financial Right of First Selection. There are two subcategories (Small Office Expenses and Ratio of Expenses) under Services/ Administration Expenses and meeting the requirement of only one subcategory is necessary to meet the requirements under Services/Administration Expenses.

The timeframe for measuring Financial Right of First Selection for the next W-2 Contract will be for the expenses submitted by February 28, 1999, for the W-2 Contract period from September 1, 1997, through January 31, 1999, with a requirement to stay within the applicable criteria for the remainder of the current W-2 Contract (through December 1999).

A. Administration Cap

This is defined as compliance with the ten percent administration (admin) cap (also known as Agency Management, Support and Overhead [AMSO]) under the current W-2 Contract. The contract-to-date expenditures must not exceed the contract-to-date budget amount for the ten percent administration cap.

B. Services/Administration Expenses

This is defined as compliance with a reasonable level of services/administration expenses (previously referred to as "office") under the current W-2 Contract, which may be achieved by either one of the following two options. Each option can also be adjusted by the factors identified in Section C below.

1. **Small Office Expenses** - The W-2 Agency's services/administration expenses ("office") do not exceed the combination of items "a" through "g" below for contract-to-date, based on the amounts allowed for each item by state budget assumptions (which are indicated in parentheses and italics):
 - a) one Supportive Services Planner (SSP) (*\$40,000 per year for salary and fringe benefits*);
 - b) one Financial and Employment Planner (FEP) (*\$50,000 per year for salary and fringe benefits*);
 - c) one Resource Specialist (*\$35,000 per year for salary and fringe benefits*);
 - d) one Help Desk staff (*\$25,000 per year for salary and fringe benefits*);
 - e) overhead (*30 percent of a), b), c), and d) above*);
 - f) supportive (previously referred to as "auxiliary") services (*\$150 per month for W-2 Transition jobs [W-2Ts], \$100 per month for Community Service Jobs [CSJs], and \$83 per month for Trial Jobs, calculated on an initial caseload of 55 Aid for Families with Dependent Children (AFDC)/W-2 benefits cases on September 1, 1997, with two additional cases per month, which totals \$82,837 for September 1997 through January 1999. Note: For comparison purposes the corresponding amount totals \$65,417 for September 1997 through September 1998; \$69,945 for September 1997 through October 1998; \$74,363 for September 1997 through November 1998; and \$78,663 for September 1997 through December 1998*); and
 - g) any Refugee and/or Long Term Supplement allocated to the W-2 Agency for the September 1997 through January 1999 period (*actual amount for the individual W-2 Agency*); or

2. Ratio of Expenses - The W-2 Agency's services/administration expenses for contract-to-date do not exceed a four times ratio for services/administration (item "a" below) compared to benefits (item "b" below). For example, if "b" is 17 percent then "a" is no more than 68 percent (four times 17 percent):
 - a) the percentage of expenses for services/administration compared to the contract budget for services/administration (prior to any adjustments for preliminary distribution of profit/reinvestment under the W-2 Contract); compared to
 - b) the percentage of expenses for benefits compared to the contract budget for benefits (prior to any adjustments for preliminary distribution of profit reinvestment under the W-2 Contract).

C. **Additional Factors for Small Office Expenses or Ratio of Expenses**

The following additional factors may be adjustments to either small office expenses or ratio of expenses (#1 or #2 above):

1. W-2 Agencies Bigger than Small Offices - To supplement small office expenses, an additional per case amount (\$209 per month per case) for W-2 Agencies with caseloads greater than 55 cases (the number of cases in the small office calculations). Cases include W-2 benefits, W-2 case management or Food Stamp Employment and Training (FSET).
2. FSET - To supplement small office expenses and the ratio for expenses, an additional amount (up to ten percent) if the W-2 Agency's FSET caseload is in excess of the average statewide percentage for FSET cases compared to W-2 cases (33 percent), with the additional amount equal to ten percent of the W-2 Agency's percentage of FSET cases compared to W-2 cases.
3. Significant Caseload Reduction During the Contract - To supplement small office expenses and the ratio for expenses, an additional amount (up to ten percent) if the W-2 Agency's caseload reduction is in excess of the average statewide W-2 caseload reduction (50 percent) under the W-2 Contract, with the additional amount equal to ten percent of the W-2 Agency's W-2 caseload reduction under the W-2 Contract. Cases include AFDC/W-2 benefits and W-2 case management cases.
4. Exceptional Program - To supplement small office expenses and the ratio for expenses, an additional amount (up to ten percent) if the W-2 Agency has an exceptional W-2 program.

See Attachment A for examples of how to calculate Financial Right of First Selection.

Financial Right of First Selection is a stand-alone process. Development of W-2 Contracts for 2000-2001 will occur on a separate track and with determinants drawn from financial experience influenced by the changing caseload.

PROGRAM RIGHT OF FIRST SELECTION

A. Criteria

The Program Right of First Selection criteria have two categories: Base Criteria and Best Practices Criteria. W-2 Agencies must meet the benchmarks set for all the Base Criteria and pass three of the four Best Practices Criteria to meet the Program Right of First Selection criteria. Agencies may determine which three of four Best Practices Criteria they wish to use.

Some criteria will be measured for a point in time. Other criteria are measured by DES Contract Managers based on material submitted by the W-2 Agency. Requirements for submitting material to the DES Contract Managers will be shared in a future communication.

1. Base Criteria -

- a) **Caseload Ratio:** Each FEP caseload numbers 125 or fewer W-2 cases for cases coded W-2T, CSJ, TJB, CMC, CMM, CMN, CMP, CMS, CMU and CMF (see Attachment C for a description of these CARES codes). In addition, each FEP caseload numbers 55 or fewer W-2 cases for cases coded W-2T, CSJ, or TJB. (Caseloads assigned to transfer coordinators in each Milwaukee W-2 Agency are exempt from this criteria.) Measured as of January 31, 1999.
- b) **Full Engagement:** Assigned hours of activities in Trial Job, CSJ, or W-2T equal 30 hours or more per week. Measured as of January 31, 1999.
- c) **Recidivism:** Agency has rate of recidivism less than the benchmark for those who have left a subsidized employment position for unsubsidized work and return to a subsidized employment position. Measured as of December 31, 1998.
- d) **Client Assistant for Re-employment and Economic Support (CARES) Employability Plan:** Current employability plan exists in CARES for each W-2 subsidized employment placement. Measured as of January 31, 1999.
- e) **W-2 Agency Plan:** Agency plan describes current operations. Measured based on material submitted to your DES Contract Manager as of January 29, 1999.

2. Best Practices Criteria -

- a) **Provider Services:** Agency has contracted with a faith-based provider to provide face-to-face services to participants. Measured based on material submitted to your DES Contract Manager as of January 29, 1999.
- b) **Special Projects:** Agency has special projects in place to address problems faced by special populations (e.g., domestic abuse victims, pregnant women with no minor children, non-English speaking populations, children over age 12 who need special care so the parent can work.) Measured based on material submitted to your DES Contract Manager as of January 29, 1999.

- c) Child Care Provider Information: Agency assists participants in identifying resources for locating child care providers. Measured based on material submitted to your DES Contract Manager as of January 29, 1999.
- d) Pursuit of General Equivalency Diploma/High School Equivalency Diploma (GED/HSED): Meeting the benchmark for the percent of participants in a Trial Job, CSJ or W-2T, with no GED/HSED, who are enrolled in an appropriate curriculum, e.g., GED prep, basic education, literacy or ESL courses. Measured as of January 31, 1999.

B. Measuring Tools

Program criteria will be measured in two ways. EOS reports will be utilized to measure criteria that are based on CARES data. For other criteria, DES Contract Managers will measure performance using materials submitted by W-2 Agencies.

C. Benchmarks

Benchmarks for some criteria are pass/fail. In other instances, the benchmark is set at a percentage of achieving the criteria. The attached chart shows benchmarks for each criteria in the Program Right of First Selection.

See Attachment B which outlines the Program Right of First Selection Criteria, Measuring Tools for meeting the criteria, and benchmarks.

REGIONAL OFFICE CONTACT: DES Contract Managers

CENTRAL OFFICE CONTACT: Gordon Bond for Financial Right of First Selection at 608/266-5762; and Jane Jilk for Program Right of First Selection at 608/266-7003.

Attachments

cc DES Bureau/Office Directors
Area Administrators/Assistant Area Administrators
Section Chiefs

Right of First Selection - Example

Attachment A

This example uses expense data through August 1998.

A. Administration Cap

Badger County is spending below their contract-to-date budget amount for the ten percent administration cap, hence they meet this standard.

Expense	92,746
Budget	99,048

B. Services/Administration Expenses

1. Small Office Expenses:

The agency's services/administration expenses must not exceed the combination of the following contract-to-date items.

a. Social Services Planner	40,000
b. Financial & Employment Planner	50,000
c. Resource Specialist	35,000
d. Help Desk	25,000
	<hr/>
Sub Total	150,000
	x 130%
	<hr/>
	195,000
e. Plus 30% overhead	60,785
f. Supportive Services total - (Badger County Appendix, attached)	5,364
g. Refugee/Long Term Supplement allocation for this agency - (Appendix C)	<hr/>
Maximum Total	261,149

Badger County's Services/Administration expense - (Report Card)

303,333

Badger County is spending above the maximum total, hence they do not meet this standard.

2. Ratio of Expenses:

a. The percent of expenses contract-to-date for services/administration compared to the contract-to-date budget for services/administration is as follows:

	Expenses	303,333
divide by	Budget	425,746
		<hr/>
		71.25%

b. The percent of expenses contract-to-date for benefits compared to the contract-to-date budget for benefits is as follows:

	Expenses	39,872
divide by	Budget	564,730
		<hr/>
		7.06%
	multiply by Maximum Ratio	4
		<hr/>
		28.24

To determine the maximum expense percent for this agency:

Actual ratio is:	Expenses percent	71.25%
	divide by Benefits percent	7.06%
		<hr/>
		10.09

Badger County's actual ratio (10.09) is above the maximum ratio (4), hence they do not meet this standard.

C. Additional Factors for Small Office Expenses or Ratio of Expenses

1. Supplement to small office expenses for agencies with a caseload greater than 55 cases.

This agency had less than 55 cases (7 W-2 benefits cases, 8 W-2 case management case & 14 FSET cases), hence there is no add-on for this factor.

2. Supplement to small office expenses and ratio of expenses for agencies with an FSET caseload in excess of the statewide average percent of FSET cases compared to W-2 cases (Benefits & Case Management). Statewide average is 33%.

Small Office:

	FSET cases	14
divide by	W-2 cases	15
		<hr/>
	FSET percentage	93.33%

Badger County's FSET percentage is above the average statewide percentage (33%), hence they qualify for the FSET supplement as follows:

multiply by	10%
	<hr/>
	9.33%

multiply by Small Office maximum	261,149
FSET supplement	<hr/>
	24,374

FSET supplement	24,374
add to Small Office maximum	261,149
New Small Office maximum	<u>285,523</u>

Badger County's expenses are above the New Small Office maximum, hence they do not meet this standard.

Ratio of Expense:

The ratio of expense supplement is calculated the same way:

	FSET cases	14
divide by	W-2 cases	<u>15</u>
	FSET percentage	93.33%

Badger County's FSET percentage is above the average statewide percentage (33%), hence they qualify for the FSET supplement as follows:

	multiply by	10%
		<u>9.33%</u>
multiply by Maximum Ratio		4
FSET ratio supplement		<u>0.37</u>
FSET ratio supplement		0.37
add to Maximum Ratio		<u>4</u>
New Maximum Ratio		4.37

Badger County's actual ratio is above the New Maximum Ratio, hence they do not meet this standard.

3. Supplement to small office expenses and ratio of expenses for agencies with significant W-2 caseload reduction in excess of the statewide W-2 caseload reduction average during the contract period. Statewide average is 50%.

Small Office:

Original W-2/AFDC cases	59
subtract current W-2 cases	<u>10</u>
W-2/AFDC caseload change	49
divide by Original W-2/AFDC cases	<u>59</u>
W-2 caseload reduction percent	83.05%

Badger County's caseload reduction percentage is above the average statewide percentage (50%), hence they qualify for the caseload reduction supplement as follows:

	multiply by	10%
		<u>8.31%</u>
multiply by Small Office maximum		261,149
W-2 caseload reduction supplement		<u>21,689</u>
FSET supplement		24,374
add to Small Office maximum		<u>261,149</u>
New Small Office maximum		285,523
W-2 caseload reduction supplement		<u>21,689</u>
New New Small Office maximum		307,212

Badger County's expenses are below the New New Small Office maximum, hence they meet this standard.

Ratio of Expense:

The ratio of expense supplement is calculated the same way:

	Original W-2/AFDC cases	59
	subtract current W-2 cases	<u>10</u>
	W-2/AFDC caseload change	49
divide by Original W-2/AFDC cases	<u>59</u>	
W-2 caseload reduction percent		83.05%

Badger County's caseload reduction percentage is above the average statewide percentage (50%), hence they qualify for the caseload reduction supplement as follows:

	multiply by	10%
		<u>8.31%</u>
multiply by Maximum Ratio		4
W-2 caseload reduction percent		<u>0.33</u>
FSET ratio supplement		0.37
add to Maximum Ratio		<u>4</u>
New Maximum Ratio		4.37
W-2 caseload reduction percent		<u>0.33</u>
New New Maximum Ratio		4.70

Badger County's actual ratio is above the New Maximum Ratio, hence they do not meet this standard. However they meet the New New Small Office Maximum and meet Financial Right of First Selection.

**PROGRAM CRITERIA
RIGHT OF FIRST SELECTION FOR UPCOMING W-2 AGENCY CONTRACTS**

Base Criteria *

BASE CRITERIA	MEASURING TOOL	BENCHMARK
<p>CASELOAD RATIO: Each FEP caseload numbers 125 or fewer W-2 cases for cases coded W-2T, CSJ, TJB, CMC, CMM, CMN, CMP, CMS, CMU and CMF. In addition, each FEP caseload numbers 55 or fewer W-2 cases for cases coded W-2T, CSJ, or TJB. (Caseloads assigned to transfer coordinators in each Milwaukee W-2 agency are exempt from this criteria.)</p> <p>FULL ENGAGEMENT: Assigned hours of activities in Trial Job, CSJ, or W-2T equal 30 hours or more per week.</p>	<p>EOS Report CRP740RB:</p> <ul style="list-style-type: none"> • Identifies county, region, worker. • Identifies placement of each W-2 case as identified under column one. 	<p>Pass/Fail</p>
<p>RECIDIVISM: Agency has low rate of recidivism of those who have left a subsidized employment position for unsubsidized work and return to a subsidized employment position.</p>	<p>EOS Report CRP740RC for W-2 Cases:</p> <ul style="list-style-type: none"> • Identifies county, region, worker, participant. • Lists cases in which the participant is not in 30 or more hours of assigned activities. • WPFN can also be used to obtain this information. 	<p>80 percent of the applicable cases are assigned to 30 hours per week or more of activities</p>
<p>CARES EMPLOYABILITY PLAN: Current Employability Plan exists in CARES for each W-2 subsidized employment placement.</p>	<p>EOS Report CT04, CARES-TEXIDOC007:</p> <ul style="list-style-type: none"> • This report identifies cases coded W-2T, CSJ or Trial Job from January through April 1998. • Of those cases, the report identifies the cases that were later placed in CMS, CMU or CMF. • From that subset of cases, a manual query of each case shows cases that later returned to a W-2 cash payment; and no barrier such as incapacitation, or other special circumstances noted in case comments. • Cases that moved from one W-2 agency to another in this process are disregarded. • Workers can query ACW1 to determine if the individual in the case returned to a W-2 cash payment placement. 	<p>20 percent or less recidivism. One recidivist case will be waived for agencies with a caseload of five (5) or less.</p>
<p>W-2 AGENCY PLAN: Agency Plan describes current operations.</p>	<p>EOS Report CRP731RA:</p> <ul style="list-style-type: none"> • Captures total current EPs in CARES by agency. • Lists the number of cases with no EP or an expired EP. • Totals the number of cases which require an EP. • Agencies can use WPFN to identify the actual case numbers with no EP or an expired EP. <p>DES Contract Managers</p>	<p>At least 95 percent of applicable cases have a current EP</p>
		<p>Pass/Fail</p>

* Agencies must meet or surpass the benchmark for each criteria to qualify for Base Criteria category of the Right of First Selection.

**PROGRAM CRITERIA
RIGHT OF FIRST SELECTION FOR UPCOMING W-2 AGENCY CONTRACTS**

Best Practices Criteria *

BEST PRACTICES CRITERIA	MEASURING TOOLS	BENCHMARK
<p>PROVIDER SERVICES: Agency has contracted with a faith-based provider to provide face-to-face services to participants.</p>	<p>Copies of contract(s) provided to DES Contract Managers.</p>	<p>Pass/Fail</p>
<p>SPECIAL PROJECTS: Agency has special projects in place to address problems faced by special populations (e.g., domestic abuse victims, pregnant women with no minor children, non-English speaking populations, children over age 12 who need special care so that parents can work, etc.)</p>	<p>Agency reporting verified by DES Contract Manager. Acceptable responses must:</p> <ul style="list-style-type: none"> • document outcome measures; • identify the percentage of agency caseload with a specific barrier; • enumerate how many have participated in the special project; and • document specific successes. 	<p>Pass/Fail</p>
<p>CHILD CARE PROVIDER INFORMATION: Agency assists participants in identifying resources for locating child care providers.</p>	<p>Agency reporting verified by DES Contract Manager.</p>	<p>Pass/Fail</p>
<p>PURSUIT OF GED/HSED: 85% of participants in a CSJ or W-2T with no GED/HSED are enrolled in appropriate curriculum, e.g. GED prep, basic education, literacy, ESL courses.</p>	<p>EOS Report 740RC:</p> <ul style="list-style-type: none"> • New exception report has been produced as an addendum to the 740RC report. • Exception report lists all non-graduates who are not enrolled in appropriate curriculum (appropriate curriculum is defined by the report, e.g., ESL, literacy, GED/HSED, Adult Basic Ed., and Regular School). • The report takes the non-graduates information from screen ANSE and the appropriate curriculum information from WPCS/H. 	<p>At least 85 percent of the applicable cases are enrolled in appropriate curriculum.</p>

* Successful candidates for the Program Right of First Selection must meet three of the four best practices criteria in addition to Base Criteria requirements.

W-2 ELIGIBILITY POLICIES

PLACEMENT	ELIGIBILITY POLICY
Unsubsidized Employment CMS	The FEP must maintain regular and frequent contact (at least once per week) with unemployed participants. The FEP must also frequently review the appropriateness of the placement. If the participant has not obtained unsubsidized employment within 60 days, the FEP must reassess the individual's placement. <u>In this placement, a participant must continue to meet financial and nonfinancial eligibility criteria.</u>
Unsubsidized Employment CMU	Applicants who are already employed or who become employed during the up-front job search may receive case management services from the FEP <u>if the participant still meets financial and nonfinancial eligibility criteria.</u>
Unsubsidized Employment CMF	The FEP will provide a minimum of 60-days of follow-up services for participants who move from a W-2 employment position to an unsubsidized position. The participant may continue to utilize the follow-up case management services of the FEP beyond the mandatory 60-day follow-up period as necessary. Agencies are encouraged to continue follow-up case management services for six months to prevent recidivism and ensure stabilization <u>regardless of financial or nonfinancial eligibility.</u>
Trial Job	<u>The W-2 agency should terminate a W-2 employment position immediately following a change in circumstances in which the participant loses financial or nonfinancial eligibility.</u> However, the FEP should consider the needs of the W-2 provider or W-2 employer when terminating the employment position.
Community Service Job	See Trial Job
W-2 Transition	See Trial Job
Caretaker of a Newborn	The payment begins on the date of the child's birth or the W-2 begin date, whichever is later. <u>Eligibility for the Caretaker of Newborn payment ends the day after the child reaches 12 weeks of age or when the participant loses nonfinancial or financial eligibility, whichever comes first.</u> The final payment must be prorated to the date the child turns 12 weeks or the date nonfinancial or financial eligibility ends.
Case Management Minor Parent	The necessity for continued case management services must be reviewed frequently by the FEP. If the need for continued case management services remains, eligibility for these services must continue <u>regardless of the participant's financial eligibility and regardless of the participant's living arrangements.</u>
Case Management Pregnant Woman	The necessity for continued case management services must be reviewed frequently by the FEP. If the need for continued case management services remains, eligibility for these services must continue as long as the participant <u>meets the financial and nonfinancial eligibility criteria.</u>
Case Management Noncustodial Parent	The necessity for continued case management services must be reviewed frequently by the FEP. If the need for continued case management services remains, eligibility for these services must continue as long as the participant <u>meets the financial and nonfinancial eligibility criteria.</u>

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JANE JILK
DES/BWI
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INTER-DEPARTMENTAL

DEPARTMENT OF WORKFORCE DEVELOPMENT
DIVISION OF ECONOMIC SUPPORT
ADMINISTRATOR'S MEMO SERIES
98-38

NOTICE
December 29, 1998

DISPOSAL DATE: January 2000

RE: UPDATE ON RIGHT OF FIRST
SELECTION FOR THE NEXT
WISCONSIN WORKS CONTRACTS
(STARTING JANUARY 2000)

To: W-2 Agency Directors

From: J. Jean Rogers
Administrator

Based on a significant amount of Wisconsin Works (W-2) agency input, both the Financial Right of First Selection and the Program Right of First Selection criteria have been updated and clarified to reflect some of the concerns that have been raised. Thanks to all of you who participated in the process.

FINANCIAL RIGHT OF FIRST SELECTION

Timeframe

The timeframe for measuring Financial Right of First Selection for the next W-2 contract will be for expenses submitted by January 29, 1999, for the W-2 Contract period from September 1, 1997, through December 31, 1998, with a requirement to stay within the applicable criteria for the remainder of the current W-2 Contract (through December 1999).

The Department of Workforce Development's (DWD's) financial policies and procedures already specify the following:

1. the monthly Community Aids Reporting System (CARS) expenditure report for December 1998 must be submitted by the W-2 agency to CARS by January 29, 1999; and
2. a monthly CARS expenditure report must be submitted to CARS for each month of the W-2 Implementation Contract to date (sixteen months of expenditure reports for September 1997 through December 1998 for Right of First Selection calculations).

A W-2 agency must meet these two requirements to be included in the Department's calculations for Financial Right of First Selection. A W-2 agency that does not meet these two requirements will be determined to have not met Financial Right of First Selection.

PROGRAM RIGHT OF FIRST SELECTION

After discussion and input from the local agencies and the W-2 Contract and Implementation Committee, DWD has added two exceptions to the Full Engagement and Recidivism criteria.

1. The Full Engagement criteria for Right of First Selection requires that at least 80 percent of all W-2 employment position [Community Service Job (CSJ), W-2 Transition (W-2 T), and Trial Job] cases actively participate in at least 30 hours per week in appropriate components.

Exceptions for Full Engagement will be made after a careful review of the cases by the Department. Agencies will need to request an exception in writing for participants who are unable to meet the required hours of participation due to limitations and barriers. It has been clarified that the physical rehabilitation (PR) code, which is not used for federal reporting purposes, may be used to reflect assigned activities, such as bed rest or self care. The Department will be reviewing the cases that are submitted in Client Assistance for Reemployment and Economic Support (CARES). Detailed documentation on appropriate CARES screens, an employability plan (EP) and evidence of continued contact with the participant will be required for approval. To request an exemption of these cases, W-2 agencies must submit a list of any cases for exemption consideration with both the PIN and case number by faxing it to the Area Administrator by 4:30 PM on January 29, 1999. This list needs to include any cases that due to limitations have insufficient hours of assigned work experience on the work component screen.

2. Recidivism is defined as a case that received a W-2 payment in one of the following months: January, February, March or April of 1998; then was placed into one of the three case management positions of case management follow-up (CMF), case management for unemployed individuals (CMS), or case management for employed individuals (CMU); and then was returned to a paid W-2 position, excluding CMC (caretaker of a newborn). This report is compiled by a data match that meets the definition. Each case on the report is manually reviewed to ensure that the case meets the criteria. The recidivism benchmark is that currently no more than 20 percent of the caseload may be recidivists. For agencies with five or less cases for the period of January through April of 1998, the first recidivist case will not be counted.

An exemption has also been developed due to areas where high seasonal employment is a concern. Agencies may request an exemption of a case due to high seasonal employment by submitting the case and PIN number by 4:30 p.m. on January 29, 1999. In order for this exemption to be granted, evidence of the continued effort of the W-2 agency to help this participant secure full-time employment will need to be documented. Extenuating circumstances, indicating why the participant cannot travel or move to an area with higher full-time employment availability, also needs to be noted.

W-2 agencies can determine their Right to First Selection status by accessing the appropriate Enterprise Output Solution (EOS) reports and utilizing the Work Programs Request to Find Information (WPFN) screen. The CARES help desk can provide assistance in accessing these reports. The help desk number is (608) 261-6317.

Specific questions regarding Program Right of First Selection can be directed to Jane Jilk at (608) 266-7003.

Monitoring

The Department will be pulling a sample of cases from each W-2 Right of First Selection report taken from each W-2 agency. This information will be used to validate the reports and to validate information that the W-2 agencies are entering into CARES.

EOS Reports

W-2 agencies have requested reports of criteria underlying the Right of First Selection. Four of the five base criteria and one of the four best practices criteria are found or can be derived from EOS reports. Also, individual case listing reports associated with the criteria are available for most of the criteria.

Caseload Ratio - The caseload ratio base criterion measurement tool can be found in the W-2 Placement & Activities Summary Report (CRP740RB). The EOS code for this report is C741. Within a W-2 agency each Financial and Employment Planner (FEP) must have 125 or fewer total W-2 cases and 55 or fewer cases in cash assistance placements of W-2 T, CSJ or Trial Job.

Full Engagement - The full engagement base criterion measurement tool is in the W-2 Full Participation Exception Summary (CRP740RD) and CRP740RB reports. The EOS codes for these reports are C767 and C741. The benchmark for this criterion is derived by the ratio of the Part 1 and 2 exceptions from the CRP740RD report for each W-2 agency divided by the total sum of the Trial Job, CSJ and W-2 T placements as found in the CRP740RB reports subtracted from 1.

Recidivism - The recidivism base criterion measurement tool is in the W-2 Recidivism Statistics (EOS code is CT04). The benchmark is 20 percent or less recidivism with one recidivist case waived for agencies with a caseload of five or less. Cases that move from one W-2 agency to another are disregarded.

CARES Employability Plan - The CARES employability plan base criterion is in the Status of Employability Plans Summary Report (CRP748RB). This report is not yet on EOS, but is expected in late December or early January. Individual participant employability plans reports are W-2 Participants with Expired Employability Plans (C783) and W-2 Participants with No Employability Plan (C784).

Pursuit of GED/HSED - The pursuit of GED/HSED best practice criterion measurement tool is in the W-2 Full Participation Exception Summary (CRP740RD). The EOS code for this report is C767. The benchmark for this criterion is derived by the ratio of the Part 4 exceptions from the CRP740RD report for each W-2 agency divided by the total sum of the CSJ and W-2 T placements with no GED/HSED subtracted from 1. WPFN can be utilized to identify the total population of CSJ and W-2 T placements with no GED/HSED.

REGIONAL OFFICE CONTRACT: DES Area Administrator

cc DES Bureau/Office Directors
Area Administrators/Assistant Area Administrators
Section Chiefs



INTERGOVERNMENTAL RELATIONS

Office of the County Executive

TO: Honorable Members of the Committee on Human Services and Aging

FROM: Roy de la Rosa, Director
Milwaukee County Intergovernmental Relations

DATE: March 8, 1999

RE: W2 Contracts – Emergency Rent Payment Plan and Voucher System

As the Committee on Human Services and Aging considers testimony on the W2 program, Intergovernmental Relations respectfully requests that consideration be given for a proposal recently passed by the Milwaukee County Board of Supervisors. While the County does not administer the W2 program, the County Board of Supervisors believes it is important that an emergency rent payment plan and voucher system is created to reduce evictions and homelessness.

Recently, there has been an increase in the number of evictions because W2 families are unable to pay their monthly rent. Milwaukee County is particularly concerned about the number of families made homeless which results in children being placed in shelters, kinship care and foster care. These changes deeply affect children in many ways as the disruption causes uncertainty and instability as their schools, neighborhoods, and friends are changed.

Aside from the trauma of homelessness, evictions result in many other economic and social costs. As a result, landlords lose rental income and are required to pay sheriff fees, court costs, and moving costs in order to obtain tenant evictions. In addition, families often lose their personal possessions because they are unable to pay storage costs to retrieve their belongings.

To address this growing concern, the County proposes that all W2 agencies, prior to the total sanctioning of W2 clients, work with local agencies to develop an emergency rent payment plan and a voluntary rent voucher system. An emergency rent payment plan would provide temporary assistance to those facing eviction. In addition, a voucher system would ensure that landlords receive timely and direct rent payments thereby avoiding costly evictions which would result in stabilizing the housing and living conditions of families with children.

Milwaukee County Intergovernmental Relations Memorandum
March 8, 1999
Page 2

Attached please find the resolution recently approved by the Milwaukee County Board of Supervisors on this matter.

Thank you for your consideration.

(Journal, February 18, 1999)

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(ITEM NO. 2) Resolution by Supervisors Quindel, White, and Cogs-Jones authorizing and directing the Director of Intergovernmental Relations to seek and secure the appropriate revisions to relevant State of Wisconsin Administrative practices and procedures to require that all W-2 agencies, prior to the total sanctioning of W-2 clients, work with local Child Welfare agencies and the Safety Services Network to develop an Emergency Rent Payment Plan and Voucher System, in order to reduce the number of families made homeless and to reduce the number of children placed in foster or kinship care for primarily economic reasons, by recommending adoption of the following:

AN AMENDED RESOLUTION

WHEREAS, in 1998, the Milwaukee County Sheriff's Department received a total of 3,701 eviction notices, requiring a team of two Deputy Sheriffs and a moving company to go on-site on 2386 occasions to effectuate the evictions and homelessness of individuals and/or families, subsequently resulting in the placement of evicted families' personal belongings in storage and in the possible placement of children with the Child Welfare System; and

WHEREAS, a substantial number of evictions occur when W-2 families are unable to pay monthly rents, unleashing a vicious circle of costly economic and social disruption; and

WHEREAS, evictions result in enormous economic and social costs: landlords lose rental income and are required to pay Sheriff fees, court costs, and moving costs in order to obtain tenant evictions; Small Claims Court Commissioners hear and process eviction actions; the welfare system assumes added expenditures as families are made homeless; children are displaced and endure added disruption, uncertainty, and instability as their schools, neighborhoods, and friends are changed; additional County staff positions are created to provide for a second, two-person Deputy Sheriff team to monitor and supervise eviction moves; evicted families, unable to pay their rents, lose their personal possessions and are not able to pay storage costs and fees to retrieve those possessions from storage; and the community pays for the operation of 800 homeless shelter beds, plus an overflow of 20-25 beds, and

WHEREAS, as a means of stabilizing families and preventing evictions from

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DATE, TIME	FAX NO./NAME	DURATION	PAGE(S)	MODE	

TIME : 03/29/1999 23:04
NAME : SEN GWEN MOORE
FAX : 608-267-2353
TEL : 608-266-5810

MILWAUKEE COUNTY INTER GO TRANSMISSION VERIFICATION REPORT

42 occurring, support has been expressed by landlords for the development of a system, if
43 affected families would agree to participate in a voucher plan, which would ensure that
44 landlords receive timely and direct rent payments; and

45

46 WHEREAS, the avoidance of evictions will result in saving an unnecessary
47 expenditure of taxpayer dollars, as well as in stabilizing the housing and living
48 situations of families with children, resulting in the avoidance of future societal costs
49 and the improved social and educational well-being of children; and

50

51 WHEREAS, at its meeting of February 10, 1999, the Health and Human Needs
52 Committee voted 6-0 to approve the resolution, as amended; now, therefore,

53

54 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby
55 authorizes and directs the Director of Intergovernmental Relations to seek and secure
56 the appropriate revisions to relevant State of Wisconsin Statutes and/or administrative
57 practices and procedures to require that all W-2 agencies work to develop and
58 administer a voucher system for rent payment and/or other emergency assistance
59 funds for W-2 families potentially facing homelessness; and

60

61 BE IT FURTHER RESOLVED, that the Statutes and/or administrative practices
62 and procedures should be further revised to direct that W-2 agencies work with local
63 Child Welfare agencies and Safety Services in developing an Emergency Rent
64 Payment Plan and Voucher System, in order to reduce the number of families made
65 homeless and the number of children placed in foster or kinship care for primarily
66 economic reasons; and

67

68 BE IT FURTHER RESOLVED, that the Milwaukee County Board of Supervisors
69 hereby authorizes and directs that a "Task Force to Review Evictions and
70 Homelessness" be created for the purpose of developing specific recommendations
71 resolving eviction problems, with the Task Force's final report and recommendations
72 submitted to the Health and Human Needs Committee for consideration during the
73 Committee's April 1999 meeting; and

74

75 BE IT FURTHER RESOLVED, that the Task Force, which shall not exceed
76 seven members, shall be chaired by the Chairman of the Health and Human Needs
77 Committee, who shall appoint the Task Force's members, with the Task Force's
78 membership to include W-2 agencies, child welfare agencies, and community leaders.

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81 FISCAL NOTE: Approval of this resolution will not require the expenditure of Milwaukee
82 County tax levy dollars; however, an expenditure of staff time will be

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required. Revisions to State of Wisconsin policies and procedures could result in budgetary savings for Milwaukee County's Sheriff's Department and Combined Court Related Operations.

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February 10, 1999

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February 22, 1999
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From DWD
press Release

W-2 Preliminary Profit Selections

	Unrestricted				Community Reinvestment			
	Tier I - 7%		Tier II - 10%		Tier II - 45% CR		Tier II - 45% State	
	Percent Request	Profit Amount	Percent Request	Profit Amount	Percent Request	Profit Amount	Percent Request	Profit Amount
Adams	75%	\$ 60,454	75%	\$ 50,337	75%	\$ 226,517	75%	\$ 226,517
Ashland	75%	54,010	0%	-	0%	-	0%	-
Barron	75%	71,857	0%	-	0%	-	0%	-
Bayfield	0%	-	0%	-	0%	-	0%	-
Brown	75%	480,532	0%	-	0%	-	0%	-
Buffalo	50%	21,727	0%	-	50%	85,004	50%	85,004
Burnett	75%	45,701	75%	44,895	75%	202,027	75%	202,027
Calumet	75%	35,950	25%	9,662	25%	43,481	25%	43,481
Chippewa	75%	145,315	75%	134,184	75%	603,826	75%	603,826
Clark	0%	-	0%	-	0%	-	0%	-
Columbia	75%	67,715	75%	51,815	75%	233,167	75%	233,167
Crawford	75%	26,837	75%	18,869	75%	84,911	75%	84,911
Dane	75%	705,101	25%	123,781	25%	557,014	25%	557,014
Dodge	75%	86,364	0%	-	0%	-	0%	-
Door	0%	-	0%	-	0%	-	0%	-
Douglas	75%	207,153	0%	-	0%	-	0%	-
Dunn	75%	107,318	75%	87,059	75%	391,766	75%	391,766
Eau Claire	75%	291,014	75%	246,097	75%	1,107,436	75%	1,107,436
Florence	75%	18,243	50%	10,463	50%	47,084	50%	47,084
Fond du Lac	0%	-	0%	-	0%	-	0%	-
Forest	75%	28,878	75%	22,278	75%	100,253	75%	100,253
Grant	75%	180,859	75%	132,458	75%	596,060	75%	596,060
Green Lake	75%	32,856	0%	-	0%	-	0%	-
Iron	0%	-	0%	-	0%	-	0%	-
Jackson	75%	52,000	75%	42,595	75%	191,679	75%	191,679
Jefferson	75%	87,114	0%	-	0%	-	0%	-
Juneau	75%	58,215	75%	48,732	75%	219,294	75%	219,294
Kenosha	75%	493,805	0%	-	0%	-	0%	-
Kewaunee	75%	23,528	75%	15,856	75%	71,353	75%	71,353
La Crosse	75%	314,547	0%	-	0%	-	0%	-
Langlade	75%	54,367	75%	43,812	75%	197,152	75%	197,152
Lincoln	75%	55,016	25%	17,058	25%	76,762	25%	76,762
Manitowoc	0%	-	0%	-	0%	-	0%	-
Marathon	75%	288,637	25%	64,677	25%	291,047	25%	291,047
Marinette	75%	105,250	75%	111,800	75%	503,098	75%	503,098
Marquette	75%	20,860	25%	5,455	25%	24,545	25%	24,545
Milw Rgn 1-YWWorks	75%	1,062,329	0%	-	25%	412,830	25%	412,830
Milw Rgn 2-UMOS	75%	1,347,104	0%	-	25%	569,310	25%	569,310
Milw Rgn 3-OIC	75%	1,518,449	0%	-	25%	479,154	25%	479,154
Milw Rgn 4&5-Emp Sol	75%	2,940,941	0%	-	25%	515,991	25%	515,991
Milw Rgn 6-MAXIMUS	75%	1,536,568	0%	-	25%	112,772	25%	112,772
Monroe	75%	102,349	75%	94,143	75%	423,641	75%	423,641
Oconto	75%	57,352	0%	-	0%	-	0%	-
Oncida	75%	72,809	75%	60,621	75%	272,794	75%	272,794
Outagamie	75%	189,057	50%	111,840	50%	503,279	50%	503,279
Ozaukee	75%	38,237	0%	-	0%	-	0%	-
Pepin	0%	-	0%	-	0%	-	0%	-
Pierce	75%	36,892	75%	14,534	75%	65,404	75%	65,404
Polk	75%	78,744	75%	72,752	75%	327,384	75%	327,384
Portage	75%	146,091	75%	138,618	75%	623,783	75%	623,783
Price	75%	32,168	75%	18,058	75%	81,263	75%	81,263
Racine	75%	723,186	0%	-	0%	-	0%	-
Rock	75%	519,317	0%	-	0%	-	0%	-
Rusk	75%	51,983	75%	51,028	75%	229,627	75%	229,627
St. Croix	75%	59,771	75%	49,289	75%	221,801	75%	221,801
Sauk	75%	90,890	0%	-	0%	-	0%	-
Sawyer	0%	-	0%	-	0%	-	0%	-
Shawano	75%	63,377	25%	12,986	25%	58,437	25%	58,437
Sheboygan	75%	142,526	75%	116,288	75%	523,297	75%	523,297
Taylor	0%	-	0%	-	0%	-	0%	-
Trempealeau	75%	53,275	50%	28,580	50%	128,608	50%	128,608
Vernon	75%	39,867	75%	22,151	75%	99,677	75%	99,677
Vilas	75%	26,974	75%	16,547	75%	74,463	75%	74,463
Walworth	75%	107,869	25%	29,083	25%	130,874	25%	130,874
Washburn	75%	43,218	0%	-	0%	-	0%	-
Washington	75%	105,911	75%	75,524	75%	339,858	75%	339,858
Waukesha	75%	238,306	75%	185,934	75%	836,703	75%	836,703
Waupaca	75%	83,275	0%	-	0%	-	0%	-
Waushara	50%	36,744	0%	-	0%	-	0%	-
Winnebago	75%	267,942	25%	72,284	25%	325,278	25%	325,278
Wood	75%	177,386	50%	104,105	50%	468,471	50%	468,471
Menominee	75%	70,366	0%	-	0%	-	0%	-
Lac du Flambeau	75%	32,717	0%	-	0%	-	0%	-
Bad River	0%	-	0%	-	0%	-	0%	-
Oneida Tr.	0%	-	0%	-	0%	-	0%	-
		\$ 16,315,212		\$ 2,556,248		\$ 13,678,177		\$ 13,678,177

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WISCONSIN OFFICE • 8033 Excelsior Dr., Suite A • Madison, WI 53717-1903 • Telephone 608/836-6666 • Fax 608/836-3333

Testimony of Jennifer Grondin Senate Committee on Human Services and Aging March 9, 1999

Good afternoon, my name is Jennifer Grondin and I represent AFSCME, the American Federation of State, County and Municipal Employees. I'm very pleased to have the opportunity to speak with you today.

AFSCME members throughout the state have worked for many years to make welfare reform programs successful for Wisconsin citizens. The significant caseload reductions occurred, even in Milwaukee County, during the pre W-2 phase when programs were administered by public employees and with the safety net intact.

With the passage of W-2, the delivery of welfare reform programs did not change drastically in many of Wisconsin's counties. In most counties, it is still public employees who as Financial and Employment planners work to assist clients from the world of welfare to the world of work. County employees determine eligibility for important supportive and safety net programs such as Medicaid, food stamps and child care. In some instances, counties subcontract the W-2 program to private providers. What is important in this system is that any profits and/or surpluses are returned to citizens in that county AND the W-2 program is accountable to the local elected officials and county administration.

We believe a significant change must be made to the W-2 program as it is administered in Milwaukee. Confusion, duplication and inefficiencies beset the system. It is our recommendation that the administration of W-2 be returned to Milwaukee County so that any profits or surpluses can be used to benefit Milwaukee citizens. As has been reported, tens of millions of dollars in profit alone have left Milwaukee county and can be used by the private W-2 agencies in whatever manner they wish. The profits may be passed along to shareholders or used to fund agency programs in other states. Additionally, the maximum amount of surplus funds that could have been used to assist Milwaukee citizens with some very pressing needs was not requested. It was left instead by the W-2 agencies in their "pot" from which to accrue profit or pay for services they did not deliver in the first year of their contract.

We are concerned by the countless reports of clients in Milwaukee being diverted from needed services, creating ever-greater profits for the private agencies. While caseloads have shrunk all across the state, we know that counties approach this from a different standpoint than do profit-making firms that answer to shareholders. Counties know that if they fail to serve clients in W-2, they may very well serve them in other, more expensive ways – through the child welfare and foster care system, or even in the county jails. We have also learned from the first year of W-2 that counties use the surpluses from W-2 funding in very different ways. Counties which control these surplus funds put them back into their communities – by providing new programs, increasing the capacity in established programs, or by relieving some of the burden on local tax levy that so many counties experience due to the state's failure to fully fund mandated programs.

We believe there is a role for the private W-2 agencies in Milwaukee and that is as a partner with Milwaukee County. Wisconsin counties have a successful history of public-private partnerships. Across this state, public employees work side by side with employees from for-profit and not-for-profit agencies to deliver services to Wisconsin citizens. In many counties, over half of the human services budget is devoted to purchasing services from private agencies. These public-private partnerships work because the local elected officials and administrators retain oversight and accountability for the services. The very best way to ensure accountability and quality service to Milwaukee citizens is to return the system to local control. Milwaukee County

in the public service

American Federation of State, County and Municipal Employees, AFL-CIO



can subcontract with the private W-2 agencies to perform W-2 services. This would mirror the structure of W-2 in many other counties.

We would also recommend that a structural change be made immediately that places county employees at the front door of every W-2 agency so that county employees can determine Medicaid, Food stamps and child care for all who qualify for those programs. "Bundling" the safety net programs would result in more efficient and timely eligibility determination and ensure that Milwaukee citizens received the support they need to participate successfully in W-2.

Persons interested in W-2 can then be referred to the appropriate W-2 employee to assist with their work-related program. The diversionary, or light touch, tactics of the W-2 agencies—tactics that have been ordered by the Division of Workforce Development in their policy manual—have seriously impacted the health and well-being of Milwaukee citizens. We've not yet understood the rationale of having a person who only wants child care, food stamps or Medicaid to run the gauntlet of private W-2 agency employees in order to get to the one person who can help them—a county employee. We would likewise suggest that language in the Governor's budget, which recommends that W-2 agency employees do child care eligibility determination, be scrutinized carefully. Only half of the child care caseload in Milwaukee, about 6,000, participates in W-2. We see no reason to subject the other 6,000 or so citizens who only need child care to the confusion and inefficiencies of the W-2 programs.

We have some concerns about the criteria being used in the right of first selection process that are currently being considered. For instance, based on the criteria being used by DWD, some smaller counties that have successfully moved W-2 participants into paying jobs and out of subsidized categories could be penalized for failing to spend more for benefit payments. Similarly, in this process, agencies will be penalized for what DWD terms "recidivism," or a client moving back into a subsidized job position from an unsubsidized position. This criterion would perversely reward agencies that turn away a client rather than accept the client back for services. Another concern is that this process penalizes agencies that fail to contract with a faith-based organization to provide direct services to clients. What if there are no faith-based providers to deliver services? What if the local contracting entity determines that the faith-based provider cannot deliver a quality service? This criterion seems awfully heavy-handed for a program whose creators have emphasized "flexibility" and have asked for exemptions from undue rules and regulations.

DWD is expecting that up to 25% of the counties currently running W-2 programs will fail to meet the right of first selection criteria, which were developed only within the last few months, when counties had little chance of adapting to meet them. DWD has budgeted \$3.8 million to fund start-up costs for new agencies to come in and replace counties that are now running W-2. We believe the legislature needs to review the criteria currently being developed and remove those which punish counties that have been successfully serving W-2 participants. It is obvious that the Department of Workforce Development is trying to open the door for more private agencies and unfairly punish successful county programs.

We believe that any surpluses realized under the next round of W-2, whether run by public or private agencies, should be tied to truly serving the clients. The Department has proposed basing profits on a number of performance criteria. We agree that good performance should be supported in W-2 and that performance criteria should include outcome measures, such as full time employment held for a certain period of time or pay increases gained by participants. However, two of the criteria proposed by DWD urge agencies to again limit services to clients. DWD proposes judging agencies based on "certain cost per case parameters," as yet undefined. However, agencies should instead be judged by whether they fully provide the services outlined in the employment and training plan, rather than limit their spending on clients. Similarly, agencies should not be penalized for "recidivism," or accepting a client back into a subsidized job position from an unsubsidized position. This does not demonstrate a failure on the part of the W-2 agency so much as a continued need for services by clients. Agencies which continue to serve clients should not have that held against them. We also support a degree of flexibility for counties so that they can use excess funds in a manner that will address unique needs in their communities.

Finally, we want to raise the philosophical issue of profit and performance-based bonuses in the delivery of human services. It seems that the privatization of W-2 is based on the false premise that human service agencies will only provide quality, efficient service if a carrot is dangling in front of them. We believe this insults the hundreds of human service providers who've worked with counties to deliver important and quality services and who perform these services by being paid a fair wage for the work performed.

Once again, I would like to thank you for the opportunity to present these ideas to your committee. We look forward to working with the Legislature to facilitate changes that truly move persons from welfare to work, that protect those most vulnerable, and which reflect a wise and thoughtful use of taxpayer dollars.



**WISCONSIN LEGISLATIVE AUDIT BUREAU
AUDIT SUMMARY**

Report 99-3

February 1999

WISCONSIN WORKS (W-2) PROGRAM EXPENDITURES

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

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

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

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

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

-over-

Expenditures and Caseloads Are Significantly Below Projections

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

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

The Legislature Could Enhance Program Oversight and Limit Future Profits

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

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

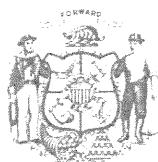
A REVIEW

*Wisconsin Works
(W-2) Expenditures*

Department of Workforce Development

99-3

LEGISLATIVE AUDIT BUREAU



A REVIEW

*Wisconsin Works
(W-2) Expenditures*

Department of Workforce Development

99-3

February 1999

1999-2000 Joint Legislative Audit Committee Members

Senate Members:

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

Assembly Members:

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

APPENDIX V – W-2 CASH BENEFIT PAYMENTS BY CATEGORY

APPENDIX VI – PROFIT AND REINVESTMENT FUNDS

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



State of Wisconsin \

LEGISLATIVE AUDIT BUREAU

February 22, 1999

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

Dear Senator George and Representative Kelso:

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

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

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

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/PS/ao

SUMMARY

The Wisconsin Works program, more commonly known as W-2, was created by 1995 Wisconsin Act 289 to help participants achieve self-sufficiency through employment. Under the program, which replaced cash entitlements available through Aid to Families with Dependent Children (AFDC), participants either are paid wages that may be partially subsidized with public funds, or they receive cash benefits. In addition, participants have access to a variety of support services, including child care subsidies, transportation assistance, case management services, and short-term loans to help meet expenses related to obtaining or maintaining employment. Federal funding for W-2 is available through September 30, 2002, and includes a five-year lifetime limit on benefits received in a subsidized job.

The Department of Workforce Development administers W-2 statewide and has entered into contracts with 75 counties, private agencies, and tribes for local program implementation. The initial contracts, which expire December 31, 1999, have a value of \$653.3 million for a period of 28 months. Many believe their value was established on the basis of reasonable assumptions about program costs and participation levels. However, contractors reported expending only \$188.4 million, or 59.7 percent of the amount the State agreed to pay them for program implementation through August 1998. Reported start-up expenditures, which totaled \$28.7 million, also fell short of contract amounts. Reported expenditures will be subject to audit.

W-2 contracts are funded with both federal aid and state general purpose revenue. Federal aid is made available through the Temporary Assistance to Needy Families (TANF) block grant program, under which Wisconsin has the potential to obtain approximately \$317.0 million in each of six years. However, in order to receive these funds, the State must document that it has maintained a level of state-funded spending equal to approximately \$168.0 million in each year. This maintenance of effort spending, combined with the federal funds available in each year, results in approximately \$485.0 million being available to fund W-2 and related programs in federal fiscal year (FFY) 1997-98 and in FFY 1998-99.

Because contracts currently in force require counties, private agencies, and tribes to assume financial responsibility for any program costs that exceed contract values, they include provisions for contractors to profit if any program funds are not expended. Under these contracts, unexpended funds equal to 7 percent or less of a contract's value are to be distributed as profits that may be used in any manner the contractor chooses. Unexpended funds in excess of 7 percent of a contract's value are to be

divided between the Department and the contracting county, private agency, or tribe; contractors must reinvest a minimum of 45 percent of these funds in the community to fund services for eligible low-income individuals.

Since W-2 took effect, questions have been raised about levels of contract funding, the amounts expended on various program activities, and the number of participants served. To address these questions and provide basic information for the Legislature to use in projecting funding levels for the next biennium, we analyzed expenditures, caseloads, and the effect that lower-than-expected expenditures have had on contractors' potential profits and the amount of funding available for community reinvestment.

Statutes directed the Department of Workforce Development to contract with counties and tribes that met certain standards and wished to implement the W-2 program locally, and to develop a competitive process for awarding W-2 contracts for those counties that did not want implementation responsibilities or did not meet these standards. Milwaukee County, which has the largest public assistance caseload, did not meet the standards and chose not to compete with a number of private organizations for contract implementation. The Department divided Milwaukee County into six regions to facilitate access to services.

In 1997, the Department awarded a total of 75 W-2 contracts for a 28-month period to:

- 58 county human or social service agencies;
- 8 private agencies, 2 of which were for-profit organizations, for implementation of W-2 in Forest, Juneau, Kewaunee, Oneida, Shawano, Vilas, Walworth, and Waukesha counties;
- 5 private agencies, 2 of which were for-profit organizations, for implementation in the six Milwaukee County regions;
- 1 consortium of county human and social services agencies, for administration of W-2 in five counties—Grant, Green, Iowa, Lafayette, and Richland; and
- 3 tribes—the Bad River and Lac du Flambeau bands of Chippewa and the Oneida Nation—that decided to participate in the State's W-2 program.

An additional \$34.1 million was made available under start-up contracts that provided these counties, private agencies, and tribes with funding for personnel, staff training, facilities improvements, developing a plan for moving participants from AFDC to W-2, developing procedures for resolving any disputes that might arise between the contractors and W-2 participants, and computer-related expenses. As of August 1998, only \$28.7 million in start-up funds had been expended, apparently because contractors did not incur anticipated facilities costs. Any state funds included in the \$5.4 million in unexpended start-up funds may not be counted toward the State's maintenance of effort requirement. However, the unexpended funds remain part of the undrawn TANF account balance and may be used in the future to support allowable activities.

Contracts for local implementation of W-2 include budgets for three categories of expenditures:

- cash benefits the contractors paid to participants in W-2 positions, to employers who hired participants in trial jobs, and to caretakers of infants—typically new mothers—who are not required to work outside the home until the infants are older than 12 weeks;
- direct service expenditures, which include the contractors' spending for case management, training, education, and other similar activities; and
- administrative expenditures, such as salaries, fringe benefits, the cost of space and data processing, and other overhead.

During the first year of statewide W-2 implementation, nearly half of the \$188.4 million in program expenditures funded cash benefits. Direct services accounted for 41.6 percent of program expenditures, and administration accounted for 8.9 percent. Private agencies under contract to implement W-2 in Milwaukee County spent the largest proportion of their budgets, 80.8 percent.

W-2 participants who are expected to work outside the home are categorized in one of four job types, based on their level of preparedness for employment:

- transitional jobs, which do not require participants to perform independent, self-sustaining work but allow them to participate in work practice and training, and for which the monthly benefit is \$628;

- community service jobs, which are designed to improve employability and to give participants work experience and job-related training, and for which the monthly benefit is \$673;
- trial jobs, which are subsidized positions that provide work experience and training and may become permanent, unsubsidized positions, and for which the participant earns not less than the state or federal minimum wage for every hour worked and the employer is subsidized no more than \$300 per month for each participant who works full-time; and
- unsubsidized employment, which includes jobs for which a W-2 agency provides no subsidy to the employer, and for which the participant earns a market wage.

Caretakers of infants who are not required to work outside the home until the infants are older than 12 weeks receive a monthly benefit of \$673. It is expected that W-2 participants will progress from their original categories to independent, unsubsidized employment before leaving the program.

During the first year of statewide program implementation, 89.3 percent of total cash benefits were paid for community service jobs and to caretakers of infants, who represented approximately 10 percent of the individuals receiving monthly cash benefits of \$673. Less than 1 percent of program expenditures for cash benefits funded trial jobs. W-2 contractors have indicated the strong economy and large number of available jobs has reduced the need for trial jobs.

The primary reason for expenditures being significantly lower than contract budgets is that the number of W-2 participants receiving cash benefits has been much lower than expected. In September 1997, when statewide W-2 implementation began, cash benefit caseloads were only 56.0 percent of anticipated levels. Twelve months later, in August 1998, caseloads were 28.7 percent of anticipated levels. Statewide, the caseload declined from 23,182 to 10,383 (55.2 percent) during the first year of program implementation. Outside Milwaukee County, the decline was 77.9 percent, while in Milwaukee County it was 46.7 percent. In September 1997, Milwaukee County accounted for 72.8 percent of Wisconsin's W-2 cash benefit cases; in August 1998, that share had increased to 86.6 percent.

It should be noted that although the contracts include profit incentives for the counties, private agencies, and tribes implementing W-2, they also include provisions to discourage contractors from increasing unexpended

funds by failing to serve eligible participants. The contracts prescribe two steps for determining how unexpended contract funds are to be distributed. Funds that are 7 percent or less of the contract value are to be paid to the contractor as profit for use in any manner the contractor chooses. Any unexpended funds remaining after the 7 percent profit is calculated are to be distributed as follows:

- 10 percent is to be paid as profit to the contracting county, private agency, or tribe, with no restriction on its use;
- 45 percent is to be paid to the contracting county, private agency, or tribe for reinvestment in the community, to fund services for eligible low-income individuals; and
- 45 percent is to be retained by the Department of Workforce Development for use in any manner it determines appropriate in accordance with the State's approved TANF plan.

For example, if a county, private agency, or tribe that entered into a contract for \$1.0 million expended only \$700,000, the \$300,000 in unexpended funds would be 30 percent of the contract's value. The contractor would therefore be entitled to a profit of \$70,000, or 7 percent of the contract's value. After this \$70,000 in profit is deducted from unexpended contract funds, the contractor would be entitled to receive \$23,000 (10 percent of the remaining \$230,000) as profit and \$103,500 (45 percent of the remaining \$230,000) in funds for community reinvestment. In total, the contractor would be entitled to receive \$93,000 in profits and \$103,500 in community reinvestment funds. The Department would retain the remaining \$103,500.

Because caseloads and expenditures were lower than anticipated in the first year of statewide W-2 implementation, all 75 contracting counties, private agencies, and tribes are likely to earn profits. Contractors' preliminary profits totaled \$33.0 million, which is approximately 10.4 percent of total contract value. Contractors also earned \$47.2 million for reinvestment in community programs, which represents approximately 14.9 percent of total contract value. In the unlikely event that agency expenditures through December 31, 1999 exceed contract amounts, agencies will have to reimburse any already-distributed profits and community reinvestment funds to pay for these costs.

Contracts will also allow the Department to retain \$47.2 million in unexpended program funds. Officials in the Department have indicated

they intend to spend some of these funds in Milwaukee County and possibly in areas of the state with emerging problems, such as those experiencing large layoffs.

Because a W-2 contract's value serves as the basis for calculating both profits and community reinvestment funds, a contractor's potential profit increases with contract size. During the first year of statewide W-2 implementation, the profits of counties, private agencies, and tribes will likely increase by \$7.1 million, and available community reinvestment funds will likely increase by 7.2 million, because:

- \$9.4 million in additional funding for long-term and refugee cases was added to 26 contracts statewide during the budget process;
- \$9.1 million in additional funding was provided to contractors in Milwaukee County so that sufficient funding would be available for higher cash benefit levels than had been budgeted when contracts were developed;
- \$5.2 million—representing the cost of Milwaukee County staff who make food stamp and Medical Assistance eligibility determinations that the private agencies are not permitted to perform—was added to the Milwaukee County contracts for the purpose of calculating contractor profits; and
- \$3.8 million in sanctions imposed on W-2 participants by the Milwaukee County contractors was treated as unexpended contract funds.

In the upcoming Legislative session, the Legislature will face a number of policy issues related to the W-2 program, including whether to adjust benefit payment levels or require co-payments for some services. This report identifies additional fiscal issues the Legislature may wish to consider, including:

- setting more restrictive limits on the amount of profits contractors may earn;
- requiring contracting agencies to contribute a portion of their profits under the first contract to offset expenditures for the second;
- withholding the allotment of any supplemental funds until a need for them is established;

- considering alternative incentives for prospective contractors, such as providing bonuses only if specific performance criteria are met; and
- shortening contract periods to ensure that modifications can be made quickly when caseloads change.

INTRODUCTION

The W-2 program replaced AFDC in 1997.

On September 1, 1997, the Wisconsin Works program, more commonly known as W-2, replaced cash entitlements available to Wisconsin residents through Aid to Families with Dependent Children (AFDC). W-2 emphasizes work as a means to self-sufficiency. Participants either are paid wages, which may be partially subsidized with public funds, or they receive cash benefits. In addition, participants have access to a variety of support services to help them find or maintain employment, including child care subsidies, transportation assistance, case management services, and short-term loans to help them meet expenses related to obtaining or maintaining employment.

The program was created by 1995 Wisconsin Act 289 and is administered by the Department of Workforce Development. The Department has entered into 75 contracts with county human and social service agencies, private agencies, and tribes for local implementation of W-2. Through August 1998, \$28.7 million in state and federal funding was reported to have supported start-up activities that helped these contractors prepare for full program implementation. In addition, during the first 12 months of the program's operation, the W-2 contractors reported expending a total of \$188.4 million in state and federal funds. Reported expenditures will be subject to audit. Program implementations expenditures supported:

- cash benefits the contractors paid to participants in W-2 positions, to employers who hired participants in trial jobs, and to caretakers of infants—typically new mothers—who are not required to work outside the home until the infants are older than 12 weeks;
- direct service expenditures, which include contractors' spending for case management, training, education, and other similar activities; and
- administrative expenditures, such as salaries, fringe benefits, the cost of space, data processing, and other overhead.

The \$188.4 million in reported program expenditures represents only 59.7 percent of the \$315.8 million the State agreed to pay the W-2 contractors for program implementation from September 1997 through August 1998. Because contracts currently in force require counties, private agencies, and tribes to assume financial responsibility for any program costs that exceed contract values, they include provisions for contractors to profit if any program funds are not expended. Contracts

allow for surpluses of 7 percent or less of a contract's value to be distributed to the contractor as profit that may be used in any manner the county, private agency, or tribe chooses. Unexpended funds in excess of 7 percent of a contract's value are to be divided between the Department and the contractors:

- 10 percent is to be paid as profit to the contractor, with no restriction on its use;
- 45 percent is to be paid to the contractor for reinvestment in the community to fund services for eligible low-income individuals; and
- 45 percent is to be retained by the Department for use in any manner it determines appropriate in accordance with the State's approved plan.

In the unlikely event that agency expenditures through December 31, 1999, exceed contract amounts, agencies will have to reimburse any already-distributed profits and community reinvestment funds to pay for these costs.

Since W-2 was implemented, questions have been raised about the level of contract funding, the amount spent on various activities, and the number of participants served. The program's enabling legislation directs the Legislative Audit Bureau, by July 1, 2000, to conduct a comprehensive program evaluation that addresses child care services and the wages paid to participants in different job components. This review, which is based on our preliminary work to complete that evaluation, is intended to address some of the initial questions legislators raised during the program's first year of statewide implementation and to provide basic information about expenditures that may be useful in projecting funding levels for the next biennium. In conducting this review, we analyzed:

- available data on program expenditures and participants;
- underspending during the program's first year; and
- the effects of lower-than-expected spending on both the profits earned by contractors and the amount of funding available for reinvestment in the community to fund services for eligible low-income individuals.

We also analyzed relevant federal and state statutes affecting the W-2 program, documents related to budget projections, and expenditure and caseload reports prepared by the Department of Workforce Development. In addition, we interviewed staff in the Department and in 22 contracting counties, private agencies, and tribes.

Program Funding and Eligibility Requirements

In 1996, shortly after 1995 Wisconsin Act 289 took effect under federal waivers, but before W-2 was implemented statewide, the federal Personal Responsibility and Work Opportunity Reconciliation Act replaced AFDC nationwide with block grants to states known as Temporary Assistance to Needy Families (TANF). Both TANF, which was based to some extent on W-2, and W-2 impose a five-year lifetime limit on benefits received in a subsidized job, include work requirements for benefit recipients, and eliminate the federal entitlement to public assistance that was provided under AFDC.

Approximately \$317.0 million in federal block grant funds will be available each year through FFY 2001-2002.

The TANF legislation also determines the level of federal funding for W-2 and other states' block grant programs. Under AFDC, Wisconsin had been reimbursed approximately 58 percent of program costs on a matching basis, with no limit on the amount of state expenditures eligible for reimbursement. In contrast, TANF legislation provides Wisconsin with the potential to obtain approximately \$317.0 million in block grant funding in each year of a six-year period that ends with federal fiscal year (FFY) 2001-02.

In order to receive these federal funds, Wisconsin must document that it has maintained the level of state support it provided in FFY 1993-94 under AFDC and related programs, such as AFDC-related child care and the Job Opportunities and Basic Skills Program. Federal TANF legislation allows a state to reduce its maintenance of effort funding by meeting certain minimum work participation rates. For Wisconsin to qualify, 25 percent of all families participating in W-2 must have been working in FFY 1996-97. The minimum work participation rate increased to 30 percent for FFY 1997-98 and FFY 1998-99, and it will increase to 35 percent in FFY 1999-2000.

Current GPR and federal funding for W-2 and related programs totals \$485.0 million.

Wisconsin has met the minimum work participation rates, and thereby reduced its maintenance of effort requirements for FFY 1996-97. The Department believes the minimum rates for FFY 1997-98 have also been met. It estimates Wisconsin's maintenance of effort requirement to be approximately \$168.0 million in each of these years. These amounts, which are funded with general purpose revenue (GPR), combined with the \$317.0 million in federal funds available each year, result in available funding of approximately \$485.0 million for W-2 and related programs in FFY 1997-98 and again in FFY 1998-99.

A W-2 family, commonly referred to as a case or assistance group, typically consists of a mother and one or more children. To receive W-2 program benefits, applicants must meet two financial eligibility requirements:

- the family's income must be at or below 115 percent of the federal poverty level, which is currently \$15,698 for a family of three; and
- the family must have assets at or below \$2,500, excluding the combined equity of vehicles valued at up to \$10,000 and one home that serves as the homestead.

Additional eligibility criteria include that an applicant must:

- be a custodial parent;
- be 18 years of age or older;
- be a United States citizen or a qualified alien;
- have lived in Wisconsin for at least 60 consecutive days immediately prior to applying for the W-2 program and, unless the applicant is a migrant worker, demonstrate an intent to live in the state;
- not receive Supplemental Security Income or state supplemental payments; and
- not receive Social Security Disability Income.

Program Contracting

Counties, private agencies, and tribes were awarded 75 W-2 contracts.

Section 49.143, Wis. Stats., directed the Department of Workforce Development to contract with counties and tribes that met certain standards and wished to implement the W-2 program locally, and to develop a competitive process for awarding W-2 contracts for those counties that did not want implementation responsibilities or did not meet these standards. Milwaukee County, which has Wisconsin's largest public assistance caseload, did not meet the standards and chose not to compete with a number of private organizations for contract implementation. The Department divided Milwaukee County into six regions to facilitate access to services. In 1997, the Department awarded a total of 75 W-2 contracts for a 28-month period to:

- 58 county human or social service agencies;
- 8 private agencies, 2 of which were for-profit organizations, for implementation of W-2 in Forest, Juneau, Kewaunee, Oneida, Shawano, Vilas, Walworth, and Waukesha counties;

- 5 private agencies, 2 of which were for-profit organizations, for implementation in the six Milwaukee County regions;
- 1 consortium of county human and social services agencies, for administration of W-2 in five counties—Grant, Green, Iowa, Lafayette, and Richland; and
- 3 tribes—the Bad River and Lac du Flambeau bands of Chippewa and the Oneida Nation—that decided to participate in the State's W-2 program.

Contracting counties, private agencies, and tribes received funding under start-up contracts intended to provide them with the financial resources necessary for implementing W-2 effectively, as well as under the contracts for program implementation. In addition, supplemental funding was provided to allow for computerized communication within and between the six W-2 regions in Milwaukee County.

Start-up Contracts

\$34.1 million was available to counties, agencies, and tribes for start-up activities.

Contracts for W-2 start-up were awarded based on state budget assumptions developed in early 1996, as were the contracts for program implementation. Eligible start-up costs included those related to personnel, staff training, improvements in facilities, developing a plan for moving participants from AFDC to W-2, developing procedures for resolving disputes between contractors and W-2 participants, and computer-related expenses. The original contracts covered the six-month period prior to statewide implementation of the W-2 program and budgeted \$34.1 million for start-up activities.

All budgeted start-up funds have not been spent. Initially, the contractors indicated they required more time to complete the start-up activities included in contract budgets. The Department therefore extended the start-up contract period—which had been March 1 through August 31, 1997—to March 31, 1998. In March 1998, 25 contracts were again amended to provide more time for some counties, private agencies, and tribes to complete start-up activities. These contractors were allowed to carry forward \$3.4 million in budgeted start-up funds until the end of August 1998. However, not all of the carryover amount was expended by that date.

Approximately \$5.4 million in budgeted start-up funds had not been expended at the end of August 1998.

At the end of August 1998, contracting counties, private agencies, and tribes reported start-up expenditures totaling only \$28.7 million, apparently because anticipated costs to improve facilities were not incurred. While additional start-up expenditures incurred through August 1998 may still be reported, especially for those contractors allowed to carry funds forward, a portion of the \$5.4 million that had not been expended through August will remain unspent.

Any state funds included in the \$5.4 million may not be counted toward Wisconsin's maintenance of effort requirement. However, the unexpended funds remain part of the undrawn federal TANF account that may be used in the future to support activities that are allowable under the State's TANF plan, which was developed by the Department and approved by the federal Department of Health and Human Services. Appendix I provides detail on start-up contract amounts, expenditures, carryover, and unexpended start-up funds through August 1998.

Requests for Supplemental Funding

In its calculation of W-2 agency contract amounts, the Department of Workforce Development did not take into account the costs of developing computerized networks that would allow for communication within and between the six W-2 regions in Milwaukee County. Such networks were believed to be necessary to provide direct communication between the primary and satellite sites of the five private agencies under contract to implement W-2 in Milwaukee County; to allow for communication between these contractors and the Department through the Milwaukee Private Industry Council, which is responsible for providing oversight, coordination, and administration for the five W-2 private contractors; and to facilitate communication between each of the five contractors and some of their subcontractors, who provide community service jobs or specialized education and training services.

An additional \$10.0 million was provided to develop computerized networks in Milwaukee County.

Officials in the Department of Workforce Development indicated that start-up contracts did not initially include funding for computerized networks because the Department did not know the details of how W-2 services would be provided in Milwaukee County until after contracts were in place. In April 1998, the Legislature's Joint Committee on Finance approved an additional \$10.0 million to develop computerized network services through July 2000. These funds were divided equally among the six Milwaukee County regions. Through August 1998, the Milwaukee County contractors reported having expended \$2.5 million of the supplemental funding provided.

PROGRAM EXPENDITURES

First-year expenditures for implementation were significantly lower than budgeted.

The Department of Workforce Development's 28-month program implementation contracts with 75 counties, private agencies, and tribes are effective through December 31, 1999, and total \$653.3 million. As noted, first-year contract budgets totaled \$315.8 million, but contractors expended only \$188.4 million through August 1998.

Although expenditures were only 59.7 percent of the amount the State agreed to pay contractors during the first year of statewide W-2 implementation, many believe the Department's funding decisions were based on reasonable assumptions. Actual expenditures fell short of projections used to establish contract budgets primarily because the W-2 caseload was significantly lower than anticipated.

Variations in Program Expenditures

The counties, private agencies, and tribes under contract to implement W-2 are permitted to spend funds as needed within their overall budgets as long as two conditions are met:

- during the term of the contract, no contractor is allowed to spend more than 10 percent of the contract value on administration; and
- a contractor whose costs exceed the contract amount is responsible for the continued provision of services and must finance the shortfall out of local or private funds.

Expenditures were expected to be higher at the beginning of the contract period, as the W-2 program was being implemented, because caseloads were expected to decline with time as individuals obtained full-time employment and left the program. However, expenditures were consistently lower than budgeted throughout the first 12 months of program implementation.

Milwaukee County contractors spent the largest proportion of their budgets, 80.8 percent.

Expenditures also varied by the type of contractor implementing W-2. As shown in Table 1, private agencies under contract to implement the program in Milwaukee County spent the largest proportion of their budgets during the first year of program implementation. Appendix II provides budget and expenditure detail for each of the W-2 agencies.