

Tommy G. Thompson  
Governor

Linda Stewart, Ph.D.  
Secretary



State of Wisconsin

Department of Workforce Development

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

February 29, 2000

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

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

Dear Senator Burke and Representative Gard:

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

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

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

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

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

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

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

Sincerely,



Linda Stewart, Ph.D.  
Secretary

Attachments (2):

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

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

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



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OFFICE OF THE SECRETARY  
201 East Washington Avenue  
P.O. Box 7946  
Madison, WI 53707-7946  
Telephone: (608) 261-8093  
Fax: (608) 267-1424  
<http://www.dwd.state.wi.us/>  
e-mail: [Smithgv@dwd.state.wi.us](mailto:Smithgv@dwd.state.wi.us)

September 18, 2001

Mr. Ralph Hollmon, Director  
Milwaukee County Department of Human Services  
235 West Galena Street  
Milwaukee, WI 53212

Re: LETTER OF INTENT

Dear Mr. Hollmon:

This is a letter of intent issued by the State of Wisconsin Department of Workforce Development (DWD) to contract with the Milwaukee County Department of Human Services (County). This is a cost reimbursement contract of \$5,088,443. See Attachment A. The contract will cover the period from October 1, 2001, through December 31, 2003. The County agrees to provide Employment System Access Coordination (ESAC) program services. Those services include but are not limited to those set forth in Attachment B.

An amount of \$311,821 of the above DWD contract will be available to the County as of October 1, 2001, to cover start-up costs and expenses of the ESAC program, including but not limited to hiring, training, and deploying staff. Full implementation of the ESAC program services will occur January 1, 2002.

The initial customer service standards have been identified by the DWD. The County will establish the level of performance, subject to DWD approval. Additional standards may be established by DWD, and the County will amend its plan accordingly. Standards will be set based upon forecasted caseloads. Caseloads exceeding the determined base by more than 25% will result in adjustment of the level of performance unless there is increased funding by the DWD. If there is no additional funding, the revised level of performance will be mutually determined by parties and reflected in the County plan.

In the event the DWD intends to continue to contract with the County for ESAC program services, the parties agree to complete re-negotiation of the 2004-2005 ESAC contract by October 1, 2003.

If the County does not meet performance standards, there will be a requirement for corrective action. If corrective action is unsuccessful, the contract will be terminated with 120 calendar days written notice. There will be no fiscal sanctions under this contract for failure to meet performance standards. Other fiscal standards, such as audit adjustments or other actions required by federal or state law or policy would apply.

Ralph Hollmon  
September 18, 2001  
Page 2

Upon 120 calendar days written notice, either party may terminate the contract without cause.

The parties understand and agree that the agreement may be renegotiated as the parties desire.

Sincerely,



Richard Wegner  
Deputy Secretary

Attachments

cc: F. Thomas Ament, Milwaukee County Executive

Nov-Dec 31, 2001/2002/2003

Attachment A

Nov-Dec 31, 2001		2002		2003		
Job Title/DHS	No Positions	Salary	Fringe	Supply/Serv	Overhead	Total
Section Mgr	1	8,686	3,143	498	1,605	13,932
Case Mgr Sup	3	22,026	7,971	1,494	4,815	36,306
Clerk Typist II	3	12,139	4,393	1,494	4,815	22,841
Emp Sys Res Spec B/L (Span)	3	17,280	6,254	1,494	4,815	29,843
Emp Sys Res Spec	21	120,960	43,775	10,458	33,705	208,898
<b>Totals</b>	<b>31</b>	<b>181,091</b>	<b>65,537</b>	<b>15,438</b>	<b>49,755</b>	<b>311,821</b>
Section Mgr	1	51,893	18,780	2,251	5,894	78,818
Case Mgr Sup	3	131,592	47,623	6,609	17,682	203,506
Clerk Typist II	3	74,390	26,922	6,609	17,682	125,603
Cust Serv Rep/ESS	12	373,032	135,000	26,436	70,728	605,196
Emp Sys Res Spec B/L (Span)	3	103,236	37,361	6,609	17,682	164,888
Emp Sys Res Spec	21	722,652	261,528	46,263	123,774	1,154,217
<b>Totals</b>	<b>43</b>	<b>1,456,795</b>	<b>527,214</b>	<b>94,777</b>	<b>253,442</b>	<b>2,332,228</b>
Section Mgr	1	55,052	19,923	2,250	5,894	83,120
Case Mgr Sup	3	135,540	49,052	6,609	17,682	208,883
Clerk Typist II	3	76,601	27,722	6,609	17,682	128,614
Cust Serv Rep/ESS	12	395,755	143,224	26,436	70,728	636,143
Emp Sys Res Spec B/L (Span)	3	109,525	39,637	6,609	17,682	173,453
Emp Sys Res Spec	21	766,675	277,460	46,263	123,774	1,214,172
<b>Totals</b>	<b>43</b>	<b>1,539,148</b>	<b>557,018</b>	<b>94,776</b>	<b>253,442</b>	<b>2,444,384</b>
<b>Grand Total</b>						<b>5,088,433</b>

## Attachment B

## Employment Systems Access Coordination (ESAC)

Customer Service Representative - 12 Positions

Purpose: To inform customers of all services that they may be eligible to receive

- Perform registration
- Screen for priority service
- Assure access to IM Services
- Screen for all other program eligibility
- Provide EBT services
- Provide case problem resolution
- Gather customer information

Resource Specialist - 24 Positions

Purpose: To assist customers to make informed decisions as to which W-2 agency will best serve their needs

- Provide program information
- Provide information and referral
- Gather customer information
- Arrange assessments
- Determine eligibility for selected programs
- Perform initial determination of job readiness
- Offer benefits counseling
- Make referrals to partner agencies as appropriate
- Review employment options with customers, including maximizing Job Center Service
- Schedule SSP and FEP appointments
- Assist participants to coordinate services across systems (ie, child welfare, W-2, corrections, AODA, etc.)
- Assist applicants in selecting and transferring to a different W-2 agency

# STATE OF WISCONSIN

SENATE CHAIR  
**BRIAN BURKE**

317-E Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-8535



ASSEMBLY CHAIR  
**JOHN GARD**

308-E Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-2343

## JOINT COMMITTEE ON FINANCE

September 27, 2001

Secretary Jennifer Reinert  
Department of Workforce Development  
201 E. Washington Ave., Room 400x  
Madison, WI 53707-7946

Dear Secretary Reinert:

This letter concerns the Department of Workforce Development's intention to award a \$5.1 million "front door" contract to Milwaukee County to help clients navigate services offered through Wisconsin Works and related public assistance programs. The contract would have a term of October 1, 2001 through December 31, 2003. According to the Department's press release dated September 18, 2001, county workers would help with registration, provide information on services and benefits, help determine the individual and family needs in relation to their employability and ensure access to entitlement programs.

The proposed contract was not discussed during deliberations on the 2001-03 biennial budget and there is no specific statutory allocation for this contract in the biennial budget act. It is my understanding that the funds for this contract would come from anticipated underspending by Employment Solutions, Inc. in its W-2 contract ending December 31, 2001. According to s. 16.54(2)(a)2 of the statutes, certain federal block grant funds (including TANF) that are not allocated in s. 49.175 may not be expended unless approved by the Joint Committee on Finance through a 14-day passive review process. Because the proposed contract with Milwaukee County

was not specified in s. 49.175, the Department and the Governor should submit a request to the Joint Committee on Finance for the contract in accordance with s. 16.54(2)(a)2, and should not proceed with the contract until it is approved by the Committee.

Sincerely,

A handwritten signature in cursive script that reads "John G. Gard".

JOHN GARD  
Assembly Chair

cc: Members, Joint Finance Committee

FOR IMMEDIATE RELEASE  
FOR MORE INFORMATION:  
Jeff Aikin.....(414) 289-6818  
Rachel Biittner (608) 266-8710

### MILWAUKEE COUNTY TO PLAY FRONT DOOR ROLE IN W-2 PROGRAM

Starting January 1, the Milwaukee County Department of Human Services will assume a new, expanded "front door" responsibility for W-2, County Executive F. Thomas Ament and Department of Workforce Development Secretary Jennifer Reinert announced today.

"Milwaukee County staff will now be at the front doors of the W-2 agencies to inform people in need of the services available and connect them with the W-2 agency," County Executive Ament said.

"We are very pleased that Milwaukee County has agreed to play a major role in the administration of the W-2 program. We are confident this partnership will lead to an even stronger program aimed at helping people move from welfare to self-sufficiency," said Reinert. "The front-door role is an innovative concept, aimed at ensuring each potential W-2 participant receives information about the entitlements and supportive services that are available to them."

The need for a navigational role in the W-2 program was recommended by the Milwaukee W-2 Advisory Panel created by Secretary Reinert last March, on which County Executive Ament is a member.

Ament said the county workers would help clients navigate the full range of W-2 services and benefits, and the state and federal entitlement programs. The workers' tasks will be to help with registration, provide information on services and benefits, help determine the individual and family needs in relation to their employability, and to assure access to entitlement programs.

-more-

## W-2 FRONT DOOR ROLE

---Add One

"This role will become even more critical as the department moves towards allowing W-2 participants, within certain limitations, to access the services of any W-2 agency that best meets their needs regardless of region. It is designed to compliment the service the W-2 agencies currently provide to W-2 participants, allowing both Milwaukee County and the agencies to work together to ensure participants can easily access the information, education and training that best meets their individual needs," said Secretary Reinert.

Milwaukee County will assign 43 additional staff at neighborhood sites to provide outreach, access and service to prospective W-2 participants. The workers will be stationed at the County Financial Assistance office at 1220 W. Vliet St. and at the Job Centers, which are co-located with the Milwaukee W-2 agencies.

The County Financial Assistance Division currently has 12 staff who perform customer service responsibilities at each of the existing W-2 sites. Twelve more, for a total of 24, will be added to register clients and screen them for emergency services, assure access to entitlement programs, gather customer information, and inform potential W-2 applicants of all the services they may be eligible to receive.

In addition, 24 County Employment Systems Resource Specialists will provide program and community information, assess customer needs, determine job-readiness as well as eligibility for various programs, offer benefits counseling and make referrals to the W-2 agency which will best serve their needs.

The contract between the Milwaukee County and the Department of Workforce Development runs from January 1, 2002 to December 31, 2003, with a start-up period beginning October 1, 2001.

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



State of Wisconsin

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e-mail: [dwdsec@dwd.state.wi.us](mailto:dwdsec@dwd.state.wi.us)

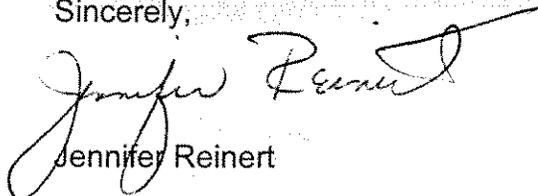
October 4, 2001

The Honorable John Gard  
Assembly Chair  
Joint Committee on Finance  
308-E Capitol  
P.O. Box 8952  
Madison, WI 53708-8952

Dear Representative Gard:

As we have discussed, the Department of Workforce Development intends to enter into a \$5.1 million contract with the Milwaukee County Department of Human Services for Employment System Access Coordination (ESAC) program services. You have requested, as Assembly Chair of the Joint Committee on Finance, that the Department of Workforce Development and the Governor submit a request to the Joint Committee on Finance for the contract in accordance with s. 16.54(2)(a)2, Wis. Stats. In response, the Department agrees to submit a request in accordance with s. 16.54(2)(a)2, Wis. Stats., for this purpose.

Sincerely,



Jennifer Reinert

cc: The Honorable Brian Burke, Joint Committee on Finance Senate Chair  
Members, Joint Finance Committee  
Secretary George Lightbourn, Department of Administration

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



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October 24, 2001

The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
State Capitol, Room 316 South  
Madison, Wisconsin 53707

The Honorable John Gard, Co-Chair  
Joint Committee on Finance  
State Capitol, 315 North  
Madison, Wisconsin 53707

SUBJECT: Notification of Withdrawal of Block Grant Expenditure Request

Dear Senator Burke and Representative Gard:

On behalf of the Governor, I am withdrawing the request previously submitted under 16.54 (2) (a) 2 for the use of Temporary Assistance for Needy Family (TANF) funds for Wisconsin Works (W-2). The request was for the reallocation of \$5,088,500 TANF currently designated for W-2 contracts that expire December 31, 2001, to support a contract for Employment Services Access Coordination (ESAC) program services in Milwaukee County.

Thank you for your prompt attention to this letter.

Sincerely,



Jennifer Reinert  
Secretary

Cc: Members, Joint Committee on Finance  
Bob Lang, Legislative Fiscal Bureau  
Secretary Lightbourn

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



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October 24, 2001

The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
State Capitol, Room 316 South  
Madison, Wisconsin 53707

The Honorable John Gard, Co-Chair  
Joint Committee on Finance  
State Capitol, 315 North  
Madison, Wisconsin 53707

Dear Senator Burke and Representative Gard:

The purpose of this letter is to notify members of the Joint Committee on Finance that the Department of Workforce Development (DWD) is withdrawing its impending request to use TANF funds to finance a contract with Milwaukee County to perform certain services in the W-2 Welfare Reform Program. The reasons for our withdrawal of this request are explained in the background information provided below.

The W-2 Welfare Reform Program has been in operation for approximately four years. During this period of time, the W-2 Program has produced many spectacular successes on behalf of clients who have participated in the program. Many thousands of W-2 participants have been assisted in achieving their goals of self-sufficiency and economic independence. Many others are entering the program with the expectation and hope of success.

Notwithstanding these acknowledged successes, W-2 has also fallen short of its intended mark in a number of areas and it remains an evolving program. These shortcomings have been carefully chronicled in numerous studies, including two Legislative Audit Bureau (LAB) reports. One of these reports focused on financial irregularities by some W-2 Agencies in Milwaukee. The other concentrated on program insufficiencies that documented failures in the program to serve significant sections of the eligible Wisconsin population.

It is certainly a clear expectation of the legislature that when the LAB dramatically highlights deficiencies in a program, the responsible administrative agency will take immediate action to remedy these difficulties. That is what DWD has done in a vigorous manner and these reform efforts are in response to LAB findings and have led to the pending request before Joint Finance.

In anticipation of the critical LAB review of the W-2 Program (Report 01-7, Wisconsin Works (W-2) Program) issued in April 2001, DWD formed a W-2 Milwaukee Advisory Committee to respond to the findings in the report.

This committee was charged with the responsibility of recommending a set of actions to respond to LAB findings and to improve the performance of the W-2 Program.

The Milwaukee W-2 Advisory Committee is comprised of appointees representing the Deans of the two business schools in Milwaukee, the president of the Wisconsin AFL-CIO, the president of the Greater Milwaukee Committee, the Mayor of Milwaukee, the County Executive of Milwaukee County, and a broad section of other parties interested in the successful operation of W-2.

Members of the W-2 Milwaukee Advisory Committee have spent literally hundreds of hours conducting public forums, interviewing W-2 clients, conducting work shops and performing extensive program analysis on W-2's successes and insufficiencies. This review by the Advisory Committee is one of the most thorough of W-2 since its inception.

The stated and understood objective of the W-2 Advisory Committee was to preserve the basic philosophical underpinnings of W-2 as a work first program, but to recommend within the parameters of W-2 any actions that could strengthen the program on behalf of its clients.

The members of the W-2 Milwaukee Advisory Committee have submitted a comprehensive set of sweeping recommendations to make W-2 the most innovative and effective welfare reform program in the nation. All of this has been accomplished within the original philosophical parameters of the W-2 program.

We believe proponents of the W-2 program should applaud this initiative because it strengthens the success of the program and ensures its continuing programmatic vitality. Opponents of W-2 should applaud this initiative as well because it directly addresses all of the identified deficiencies upon which program critics have focused their attention.

The net result, if these program improvement recommendations are effectively implemented, is to achieve a material improvement in the economic lives of countless Milwaukee County citizens.

Our pending s. 16.54 request to the Joint Committee on Finance is being withdrawn at this time for two reasons.

The first is that DWD requires additional time to ensure that the full implementation of the W-2 Program reforms recommended by the Milwaukee Advisory Committee is executed in the most effective manner possible.

We simply need more time to work out additional details in the implementation of these recommendations.

The Honorable Brian Burke  
The Honorable John Gard  
October 24, 2001  
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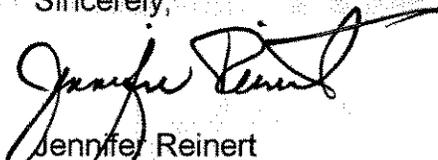
The second reason for our withdrawal of the s. 16.54 request is that the department has not been successful in communicating the full significance of these reforms to all the members of the Joint Committee on Finance.

Therefore, in keeping with our absolute commitment to working cooperatively with the legislature on this matter, and all matters, we will be resubmitting a new s. 16.54 request to the Joint Committee on Finance at a later date. In the interim we will be working aggressively with individual members of the Committee to ensure that the W-2 reform package reflects the perspectives of individual members who have long historical involvement with this important program.

The department is committed to the implementation of the W-2 reforms recommended by the Advisory Panel. This absolute commitment is the result of our unshakable belief that these reforms will substantially improve the quality of life for a very substantial number of Milwaukee County residents. The W-2 Program has in countless ways been an extraordinary success. But meaningful improvements can be made. That is what motivates this department to be relentless in its pursuit of continuous improvement in this program, which is so centrally important to the lives of the W-2 clients it is intended to serve.

In the immediate weeks ahead, I will be asking members of the Committee to work closely with us to ensure the successful implementation of W-2 reforms that will make such a positive difference in people's lives.

Sincerely,



Jennifer Reinert  
Secretary

Cc: Members, Joint Committee on Finance  
Bob Lang, Legislative Fiscal Bureau  
Secretary Lightbourn

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<http://www.dwd.state.wi.us/>  
e-mail: [dwdsec@dwd.state.wi.us](mailto:dwdsec@dwd.state.wi.us)

February 22, 2002

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

Dear Senator Burke:

The Department of Workforce Development annual report on the Uninsured Employers Program is being sent to you for informational purposes. This report includes critical indicator data from January 1, 2001 through December 31, 2001. The purpose of this report is to provide you with information relating to the activity and financial condition of the program and the Uninsured Employers Fund.

The Uninsured Employers Program has four major goals:

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

### Program History

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

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

### **Education and Outreach Initiatives**

The Division of Worker's Compensation continues to make a concerted effort to educate and inform employers of their worker's compensation responsibilities. During 2001, these efforts resulted in over 6,300 employers being brought into compliance with the insurance requirements of the Worker's Compensation Act, the majority, before they were found to be in violation of the law and thereby assessed a penalty. Employers are notified and encouraged to maintain coverage 60 days prior to the expiration of their policy so that a lapse in coverage and the assessment of a penalty will not occur. Informational updates are mailed periodically to employer and labor organizations for publication in their newsletters and other publications. Staff provide information to employers in various forums such as labor law clinics, group requests and others.

### **Enforcement**

The Division of Worker's Compensation continues to expand the use of technology in identifying employers who are operating without worker's compensation insurance. An automated investigation system allows for effective and efficient handling of worker's compensation investigations. The Division works with the Department of Revenue, the Division of Unemployment Insurance, the Wisconsin Compensation Rating Bureau and other agencies to identify employers who are operating in violation of the law. During 2001, over 35,000 employer investigations were completed with 1,509 employers assessed penalties for operating without insurance. These enforcement actions resulted in new insurance coverage for approximately 38,900 employees. Thirty-two employers who refused to obtain worker's compensation insurance were referred to the Department of Justice for closure actions.

### **Penalty Collection**

Collection of penalties from employers continues to be difficult and requires significant effort. Two of the most effective methods of collecting penalties are the use of warrants and levies. In order to make the most effective and efficient use of these collection tools the Division has automated the filing and tracking of warrants with all seventy-two counties and implemented an automated levy filing system in February 2001. This new collection tool has enabled the Fund to significantly improve its ability to collect delinquent penalty and injury reimbursement assessments.

### **Payment of Benefits**

On July 1, 1996, the Division began accepting claims and paying benefits to employees injured while working for uninsured employers. As of December 31, 2001, 342 claims have been filed. The Division contracts with Gallagher Bassett Services, Inc. to be the third party administrator for all injury claims filed against the Uninsured Employers Fund. Their responsibilities include the investigation, monitoring, processing, establishing reserves and recommending the approval or denial of all claims filed against the Fund. The Division has purchased an excess insurance policy that pays catastrophic claim costs that exceed \$250,000. The excess insurance policy prevents a number of catastrophic claims from quickly depleting the Fund. The Division contracts with Millman & Robertson, Inc. to provide actuarial services to the Fund.

## UEF Program Critical Indicators

There are six critical indicators by which we evaluate the effectiveness and financial stability of the UEF Program. Following is a summary of these indicators.

### UEF Critical Indicator 1

#### UEF Statement of Income and Expenses

- Indicates for the period of January 1, 2001 through December 31, 2001, that the UEF balance of income over expenses was a net \$ 598,258.

#### UEF Balance Sheet

- Indicates at the end of December 31, 2001, the UEF had a net balance of \$9.0 million.

#### UEF Statement of Cash Flow

- Indicates that during the period of January 1, 2001 through December 31, 2001, the UEF grew by \$ 240,336.

### UEF Critical Indicator 2

#### Monthly Investigation & Invoice Totals

- Indicates the number of new penalty invoices processed have held steady at approximately 125 per month.

### UEF Critical Indicator 3

#### UEF Claims Filed By Month

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

### UEF Critical Indicator 4

#### UEF Monthly Claims & Case Reserve Dollars Incurred

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

### UEF Critical Indicator 5

#### UEF Cash Balance

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

### UEF Critical Indicator 6

#### UEF Outstanding Loss Reserve & IBNR Claims and Net Assets

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

Quick and effective enforcement processes continue to keep in check the number of employers operating without worker's compensation insurance. More than \$9.0 million is in the Uninsured Employers Fund. If the average number of claims and average costs remain at the level of the first 5 years of benefit payments, the Fund will remain stable.

The terrorist events of September 11, 2001 will impact the cost of the Uninsured Employers Fund excess insurance policy that pays catastrophic claim costs that exceed \$250,000. The excess insurance policy prevents a number of catastrophic claims from quickly depleting the Fund. Insurance industry experts have estimated the cost of excess insurance premiums will increase approximately 25 to 40% (or more) due to the losses incurred September 11, 2001. The increased cost of excess insurance may necessitate the Uninsured Employers Fund to consider a policy retention of more than \$250,000. The Uninsured Employers Fund will continue to carry an excess policy with a retention amount that is determined necessary for the sound operation of the Fund.

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

The Uninsured Employer Program is providing the enforcement and meeting its claim obligations intended by the law. As of December 31, 2001, the Fund is considered to be in good financial condition.

Please contact me if you have any questions.

Sincerely,



Jennifer Reinert  
Secretary

Critical Indicator 1

UNINSURED EMPLOYERS FUND STATEMENT OF INCOME AND EXPENSES  
JANUARY 1, 2001 TO DECEMBER 31, 2001

**INCOME**

INTEREST EARNED	\$372,023	
PENALTY COLLECTIONS	\$1,284,090	
EMPLOYER REIMBURSEMENT COLLECTIONS	\$161,257	
TOTAL INCOME		\$1,817,370

**EXPENSE**

EXCESS INSURANCE	\$319,109	
CLAIMS INCURRED	\$1,920,035	
LESS: CLAIMS INCURRED COVERED BY EXCESS INSURANCE	\$1,020,032	
TOTAL EXPENSE		<u>\$1,219,112</u>
EXCESS INCOME OVER EXPENSE		\$598,258

UNINSURED EMPLOYERS FUND BALANCE SHEET  
AS OF DECEMBER 31, 2001

**ASSETS**

CASH	\$9,020,443	
PREPAID INSURANCE	\$149,618	
TOTAL ASSETS		\$9,170,061

**LIABILITIES**

INCURRED BUT NOT REPORTED CLAIMS	\$944,775	
RESERVE FOR CLAIMS	\$2,634,635	
LESS: RESERVE COVERED BY EXCESS INSURANCE	\$1,259,574	
TOTAL LIABILITIES		<u>\$2,319,836</u>

**FUND EQUITY**

\$5,590,651

**PERCENTAGE OF TOTAL FUND ASSETS ENCUMBERED**

25.30%

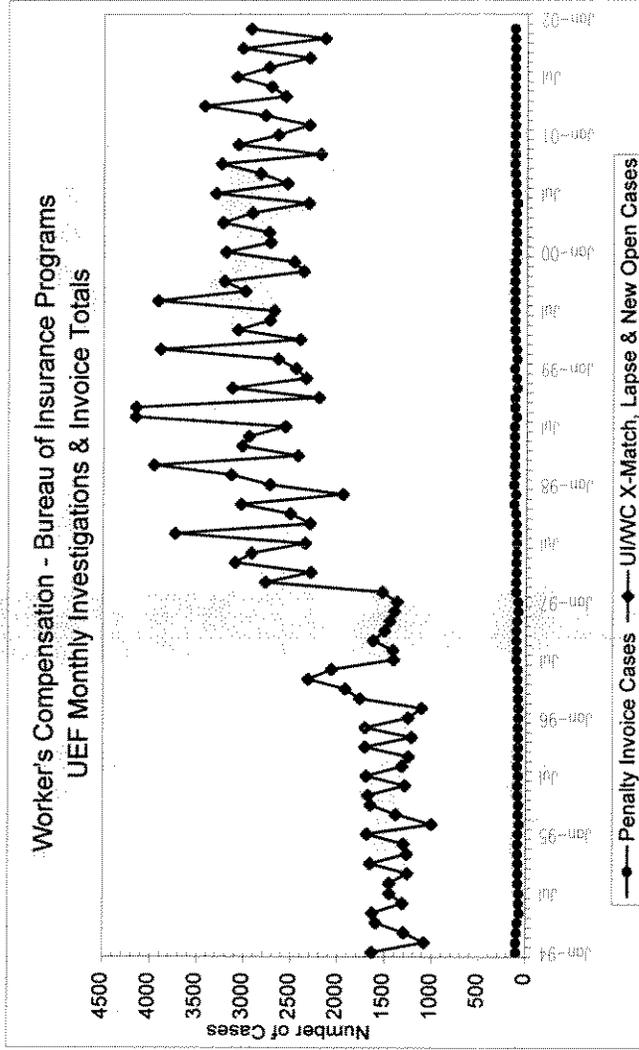
UNINSURED EMPLOYERS FUND STATEMENT OF CASH FLOW  
JANUARY 1, 2001 TO DECEMBER 31, 2001

FUND BEGINNING BALANCE		\$8,780,107
INTEREST EARNED	\$372,023	
YEARLY PENALTY COLLECTIONS	\$1,284,090	
YEARLY EMPLOYER REIMBURSEMENT COLLECTIONS	\$161,257	
FUND CREDIT	\$1,943	
INSURER SETTLEMENT CREDIT	\$77,800	
CASH CLAIM PAYMENTS MADE	(\$1,337,669)	
EXCESS INSURANCE PREMIUM PAID	(\$319,109)	
FUND ENDING BALANCE		\$9,020,443

Critical Indicator 2

Worker's Compensation Division - Bureau of Insurance Programs

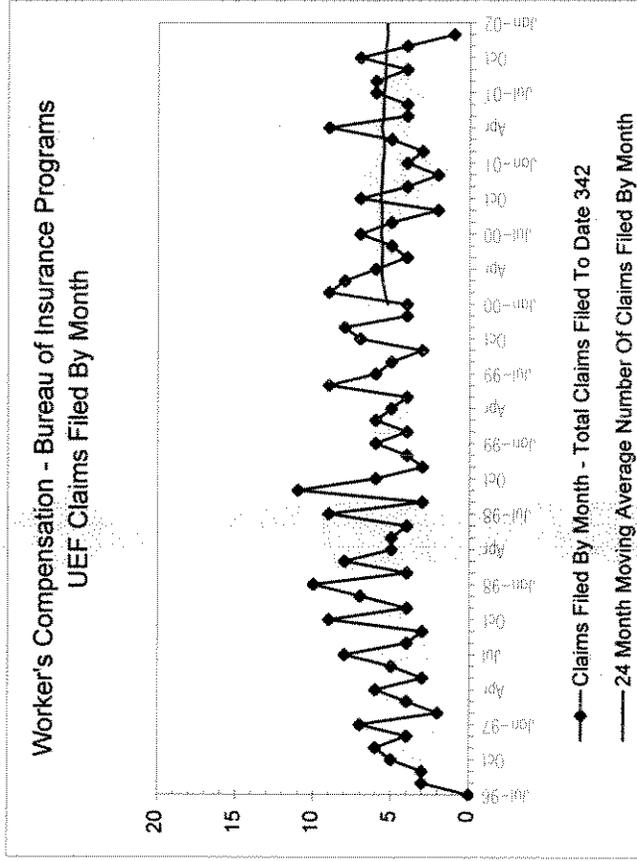
UEF Monthly Investigation Invoice Totals



Critical Indicator 3

Worker's Compensation Division - Bureau of Insurance Programs

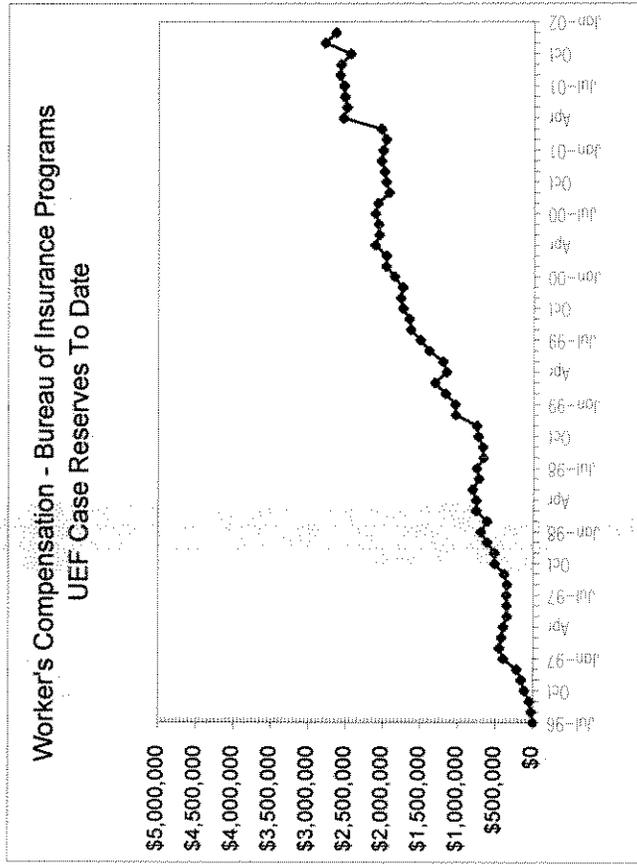
UEF Claims Filed By Month



Critical Indicator 4

Worker's Compensation Division - Bureau of Insurance Programs

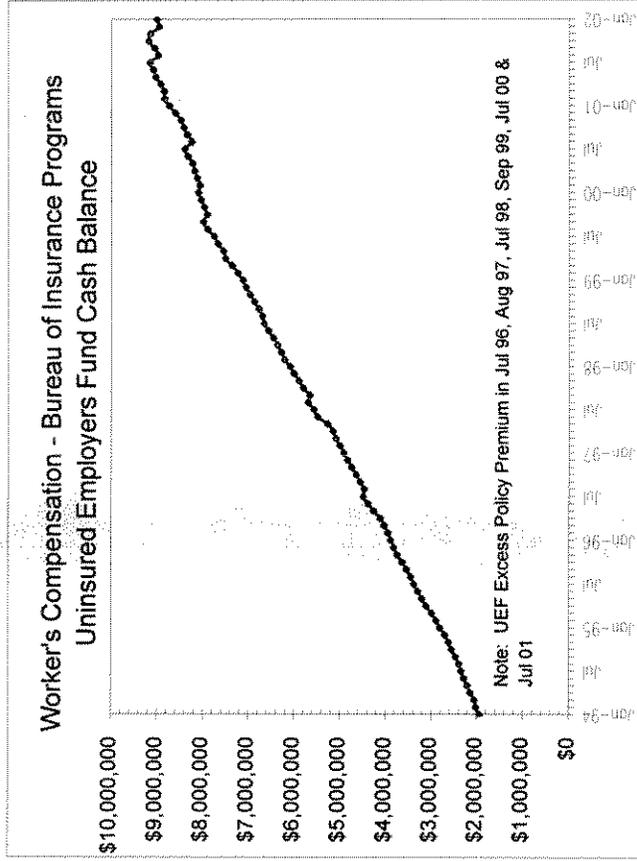
UEF Case Reserves To Date



Critical Indicator 5

Worker's Compensation Division - Bureau of Insurance Programs

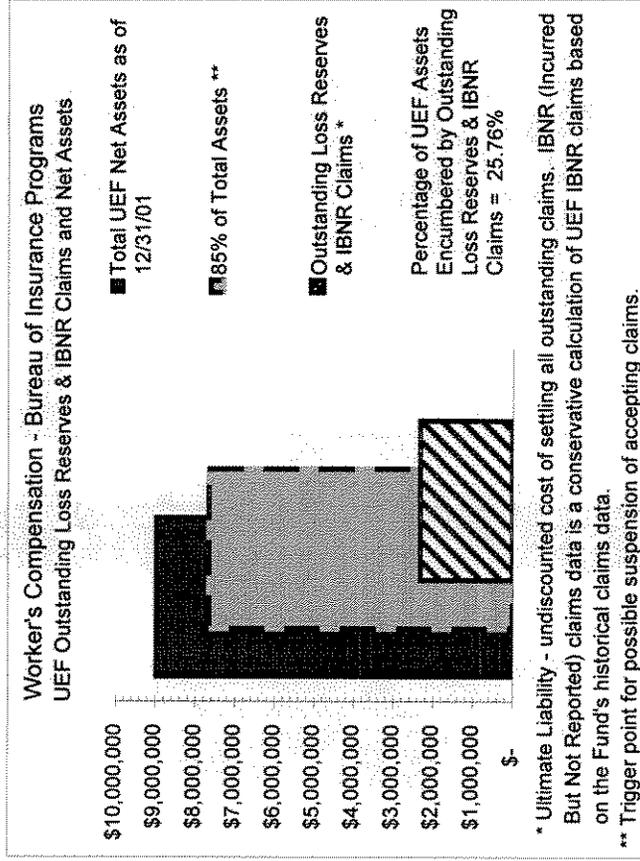
UEF Cash Balance



Critical Indicator 6

Worker's Compensation Division - Bureau of Insurance Programs

UEF Outstanding Loss Reserves, IBNR Claims and Net Assets



# THE STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

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



ASSEMBLY CHAIR  
JOHN GARD

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

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Brian Burke  
Representative John Gard

Date: April 15, 2002

Re: DWD Report on the Workforce Attachment and Advancement Program

Attached is a copy of a report concerning the Workforce Attachment and Advancement Program from the Department of Workforce Development.

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

Attachment

BB:JG:dh

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



State of Wisconsin

Department of Workforce Development

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

April 3, 2002

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

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

Dear Senator Burke and Representative Gard:

The Department of Workforce Development is submitting this report on the Workforce Attachment and Advancement (WAA) program, in keeping with 1999 Wisconsin Act 9 and as required by Joint Finance motions adopted at the December 21, 1999 s.13.10 meeting. This report is a follow-up to reports submitted to the Joint Committee on Finance on January 29, 2000; March 1, 2001; and May 14, 2001. It provides information about earnings and child support payments by WAA participants.

As detailed in the report, WAA participants generally experienced steadily declining earnings in the quarters preceding their enrollment in WAA, but measurable earnings increases in the quarters after leaving. Analysis of child support payments, developed in partnership with the Institute for Research on Poverty, finds a similar pattern of pre-WAA decline followed by post-WAA improvement.

These results are consistent with the main objective of WAA, which is to enable participants better to support their families through work. The analysis on which these findings are based reflect a significant investment by the Department in tools for the ongoing assessment of WAA program effectiveness.

If you have any questions about the information in the attached report, please contact Mary Rowin, Deputy Administrator, Division of Workforce Solutions, at 267-9022.

Sincerely,

  
Jennifer Reinert  
Secretary

Attachment

SEC-7792-E (R. 07/2001)

[Wisconsin.gov](http://Wisconsin.gov)

File Ref: WAA report cover letter.doc

**IMPACT OF THE WORKFORCE ATTACHMENT AND ADVANCEMENT  
PROGRAM ON EARNINGS AND CHILD SUPPORT COLLECTIONS**

**State of Wisconsin  
Department of Workforce Development**

**March 2002**

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## EXECUTIVE SUMMARY

The Workforce Attachment and Advancement (WAA) program provides services in the areas of training, job retention, basic skills development, job placement and other support services designed to help participants find, hold, and advance in employment.

The legislation that created WAA also required the Department to measure program performance in the areas of job placement, job retention, earnings increases, and (for noncustodial parents) increases in child support collections. Subsequent motions by the Legislature's Joint Committee on Finance imposed more specific reporting requirements with respect to participant earnings. The latest in a series of reports pursuant to these requirements, this report provides information about WAA participants' earnings and child support payments.

Among the main findings with respect to participant earnings:

- At the time WAA participants enrolled in the program, their average quarterly earnings had been declining steadily over the previous year.
- WAA participants who had left the program by July 1, 2001 earned more, on average, during the quarter in which they left than during the quarter in which they first enrolled.
- By the second and third quarters after leaving WAA, former participants had average quarterly earnings at least as high as they had experienced in any of the four quarters prior to enrollment in the program.

Among the main findings with respect to child support payments by noncustodial parents (NCPs):

- The average number of NCPs making child support payments in the six months after entering WAA was 5 percent higher than the average for six months prior to entry.
- The average size of child support payments dropped steadily during the five months prior to entry into WAA, then rose during the months after entry to levels similar to the highest pre-entry levels.
- Had the downward pre-WAA trend in average child support payments continued unchanged in the six months after NCPs entered WAA, those payments would have been, on average, between \$57 and \$88 a month lower than NCP participants in WAA were actually paying six months after they began participating.

Although the nature of the data precludes direct correlation between these outcomes and the WAA program, these findings are consistent with the program objective of helping participants better support their families through work. Furthermore, important steps the Department has taken to complete this study, most notably the creation of a data warehouse for relating program performance to earnings outcomes over time, now provide the basis for ongoing reports on program effectiveness.

## **INTRODUCTION**

This report provides information about the impact of the Workforce Attachment and Advancement (WAA) program on participants' earnings and on child support collections. It has been prepared for the Wisconsin Legislature's Joint Committee on Finance by the Department of Workforce Development (DWD), pursuant to 1999 Wisconsin Act 9 and subsequent Joint Finance Committee motions.

### **Background: The WAA program**

1999 Wisconsin Act 9 established the WAA program as a two-year program. The initial contract period for the program ran from January 2000 through December 2001, and the Department extended this to June 30, 2002. The program, funded through the Temporary Assistance for Needy Families (TANF) block grant, allocated \$19.7 million to Workforce Development Boards (WDBs) and Wisconsin Works (W-2) agencies to provide services to TANF-eligible custodial and noncustodial parents (NCPs) with incomes below 200 percent of the federal poverty level. New contracts for the period July 1, 2002 through December 31, 2003 include \$7.8 million in funding to W-2 agencies and WDBs.

The WAA program provides services in the areas of basic skills development, training, job placement, job retention, and other support services designed to help participants find, hold, and advance in employment. It therefore serves the needs both of employees seeking self-sufficiency through work and employers seeking skilled workers. WAA program resources are used to create and expand innovative services and approaches serving both these purposes. WAA agencies are required to seek extensive input from local stakeholders to tailor program services to meet locally defined needs.

What most distinguishes WAA from other programs is its focus on retention and advancement. While other programs also have job placement as a main objective, most are limited in the services they provide once a person begins working. WAA complements existing programs and offers services not available through them in order to assist low income families and NCPs to retain jobs and advance to higher-wage positions. WAA is thus an important part of a larger, critical shift in the emphasis of welfare reform: moving from an emphasis on employment placement for welfare recipients toward achieving labor market stability and self-sufficiency for former recipients, now members of the workforce.

### **Purpose of the report**

In addition to creating the WAA program, 1999 Wisconsin Act 9 also required the Department to evaluate program performance in four specific areas: job placement, job retention, earnings increases, and (for NCPs) increases in child support collections. In December 1999, in conjunction with the release of funds to operate WAA, the Legislature's Joint Committee on Finance adopted motions that further specified the Department's performance measurement obligations. Among other things, these motions required DWD to:

- Develop a methodology for tracking the impact of WAA on participants' earnings.
- Report that methodology to the Joint Committee on Finance by March 1, 2000.
- Submit a report to the Joint Committee on Finance by March 1, 2001, to include information gathered using that methodology.

The Department submitted the first required report on methodology in a February 29, 2000 letter. The Department submitted the second required report on March 1, 2001. That report described the WAA caseload, program services provided, and the Department's progress in implementing its methodology for tracking and evaluating program performance. It also further defined the four performance measures and committed to reporting on the first three measures in May 2001, and on the fourth standard by late March 2002. The Department submitted an ad hoc report on three of these standards—job placement, job retention, and earnings increases—on May 14, 2001.

The current report provides two important sets of analysis not included in the 2001 reports. The first set is an analysis of the impact of the WAA program on earnings. The second is an analysis of the impact of the WAA program on child support collections. Together these analyses represent a new in-depth study of WAA based on information not available at the time of the earlier reports. As explained in previous reports, these analyses were delayed until March 31, 2002, because additional time was needed to obtain Unemployment Insurance (UI) wage data and Kids Information Data System (KIDS) child support data.

The Department took several significant steps to complete this analysis and to lay the foundation for future reports on program impacts. These include building a data warehouse combining WAA participant data from the Client Assistance for Re-employment and Economic Support (CARES) information system with quarterly wage information from the UI system. This data warehouse includes information for all of the work programs tracked in CARES: W-2, Food Stamp Employment and Training (FSET), Welfare-to-Work, Children First, and WAA. Because this longitudinal database incorporates participant earnings information covering periods before, during, and after participation in all of these programs, it is a powerful tool for analyzing and comparing the earnings impacts of those programs. In addition, the Department contracted with the Institute for Research on Poverty (IRP) to analyze child support collections and earnings for a selected group of WAA participants who are NCPs.

This report is organized into five parts:

- Part I offers an analysis of the impact of WAA on earnings (as determined by UI wage data) for various groupings of WAA participants.
- Part II summarizes analysis by IRP of the impact of WAA on child support collection from and on UI earnings by WAA participants who are noncustodial parents.
- Part III presents selected demographic information about WAA participants

- Part IV provides additional information about three WAA program performance measures: job placement, job retention, and earnings increases.
- Part V assesses the main findings of the report and discusses next steps for establishing a continuing process of program evaluation for WAA.

## **PART I: IMPACT OF WAA ON PARTICIPANT EARNINGS**

This section provides information about the earnings of WAA participants before and after participation in the WAA program. That information makes it possible to begin evaluating the impact of the WAA program on participants' earnings.

On average, WAA participants in the study sample earned more in the quarter in which they left the program than they did in the quarter during which they first enrolled. By the first and second quarters after leaving the program, participants who had left the program by July of 2001 had average earnings similar to or greater than their highest earnings during any of the four quarters before they enrolled in WAA.

### **Research design, data, and analysis**

CARES data were used to compile demographic information about WAA participants and establish each participant's dates of enrollment into and exit from the WAA program. This information was cross-matched with Unemployment Insurance (UI) wage data in order to track each participant's earnings for designated periods before, during, and after participation in WAA.

#### ***The data set***

Analysis based on this matching process was applied to two separate sets of participants. One set was comprised of all participants who had ever enrolled in WAA as of September 30, 2001. The other set was comprised of participants who had left the program by July 1, 2001 and not returned as of September 30, 2001.

For both groups, participants' earnings were tracked for the quarter of enrollment in WAA and up to four previous quarters. In addition, for the group that left the program by July 1, 2001, a post-WAA analysis tracked each participant's earnings for up to five quarters, beginning with the quarter in which the participant left the program.

#### ***Data limitations***

Note that figures for "total participants" (i.e. the total number of participants with data available for that quarter) tend to diminish for both the earliest and most recent quarters. In some cases, data for a given participant were incomplete because the CARES program for entering WAA data only became available several months after the WAA program was implemented. In other cases the information was incomplete because of time lags in receipt of data by the UI system and because those participants who left the program most recently may have less than four quarters of post-WAA data available.

It is also important to bear in mind that UI wage data are not a comprehensive indicator of earnings. For example, such data do not capture earnings information for the self-employed, farmers, persons who sell by commission, federal employees, and Wisconsin residents working outside the state.

## Findings

The data reported in the following tables indicate:

- declining pre-WAA earnings for WAA participants; and
- increasing post-WAA earnings for former participants.

It is important to note, however, that figures for each quarter in these tables reflect analysis of the data set available *for that quarter*. These data do not necessarily capture earnings changes *for exactly the same participants* from one quarter to the next.

### *Pre-WAA earnings of WAA participants*

Table 1 summarizes the pre-WAA earnings histories, based on UI wage data, of all participants who had ever been enrolled in WAA as of September 30, 2001. Average quarterly earnings for those participants with data available fell steadily during the four quarters prior to their enrollment in WAA. Participants who had earnings and for whom earnings data were available showed quarterly earnings averaging about \$3,048 during the fourth quarter before enrollment in WAA. Quarterly earnings for the quarter of entry into WAA dropped to \$2,533 for participants with data available for that quarter.

<b>Quarters relative to entry into WAA</b>	<b>Total participants in sample<sup>1</sup></b>	<b>% of participants with earnings</b>	<b>Average quarterly earnings (all participants)</b>	<b>Average quarterly earnings (participants with earnings only)</b>
4 Quarters prior to WAA	2,544	73.2%	\$2,230	\$3,048
3 Quarters prior to WAA	3,343	73.1%	\$2,214	\$3,031
2 Quarters prior to WAA	3,642	72.8%	\$2,133	\$2,931
1 Quarter prior to WAA	3,766	74.0%	\$2,084	\$2,815
Quarter of program entry	3,866	78.4%	\$1,986	\$2,533

<sup>1</sup>Changes in sample totals reflect the incompleteness of CARES data entry from early in the WAA program, only partially remediable through backdating.

***Pre-WAA earnings of former WAA participants***

Table 2 summarizes the pre-WAA earnings histories, based on UI wage data, of those participants who had left the WAA program by July, 1, 2001 and not returned by September 30, 2001. As with participants analyzed in table 1 above, the available data show average quarterly earnings for these former participants dropping steadily over the four quarters prior to their enrollment in the WAA program. During the fourth quarter prior to enrollment, participants for whom earnings data were available averaged quarterly earnings of about \$3,047. This contrasts with average quarterly earnings of \$2,307 for participants' quarter of enrollment in WAA.

<b>Table 2 Pre-WAA earnings of former participants (left by 7/1/01 and did not return)</b>				
<b>Quarters relative to WAA entry</b>	<b>Total participants in sample<sup>1</sup></b>	<b>% of participants with earnings</b>	<b>Average quarterly earnings (all participants)</b>	<b>Average quarterly earnings (participants with earnings only)</b>
4 Quarters prior to entry	447	68.9%	\$2,099	\$3,047
3 Quarters prior to entry	769	69.8%	\$2,028	\$2,904
2 Quarters prior to entry	916	71.4%	\$1,962	\$2,748
1 Quarter prior to entry	972	74.0%	\$1,943	\$2,627
Quarter of program entry	991	80.0%	\$1,846	\$2,307
<sup>1</sup> Changes in sample totals reflect the incompleteness of CARES data entry from early in the program, only partially remediable through backdating.				

***Post-WAA earnings of former WAA participants***

Table 3 summarizes the post-WAA earnings history for WAA participants who left by July 1, 2001 and had not returned by the following September 30. Note that average earnings during the quarter of *exit* from WAA were \$2,838, more than \$500 higher than the *entry* quarter average shown in table 2. Furthermore, for those participants for whom data were available, average quarterly earnings for the first and second quarters following departure from the program equaled or exceeded average earnings for any of the four quarters prior to entry. Although available data show participants' average earnings declining slightly in the third quarter after exit, at \$2,901 this average was still more than \$400 than indicated by data for the quarter of entry.

<b>Table 3 Post-WAA earnings of former participants (left by 7/01/01 and did not return)</b>				
<b>Quarters relative to WAA exit</b>	<b>Total participants in sample<sup>1</sup></b>	<b>% of participants with earnings</b>	<b>Average quarterly earnings (all participants)</b>	<b>Average quarterly earnings (participants with earnings only)</b>
Quarter of Program Exit	1,585	75.4%	\$2,140	\$2,838
1 Quarter after exit	1,005	71.0%	\$2,153	\$3,040
2 Quarters after exit	582	69.8%	\$2,148	\$3,079
3 Quarters after exit	291	68.7%	\$1,994	\$2,901
<p><sup>1</sup>Changes in the totals for each quarter reflect a lag time in maturation of UI wage data and the fact that for more recent cases complete earnings data may not yet be available.</p> <p><b>Note:</b> The data set for 4 quarters after exit was too small to permit reliable reporting, and has therefore been omitted.</p>				

## **PART II: IMPACT OF WAA ON CHILD SUPPORT**

The Department contracted with the Institute for Research on Poverty (IRP) to analyze the impact of WAA on child support payments by noncustodial parents (NCPs). This section summarizes that analysis and the Department's conclusions. The full IRP report is available from the Department upon request.<sup>1</sup>

Several measures of child support outcomes analyzed by IRP show improvements following the NCPs' entry into the WAA program. Incomes rose, as did child support payments. While one cannot attribute these improvements directly and exclusively to the WAA program, the findings suggest the WAA program did have an impact.

### **Research design, data, and analysis**

IRP analyzed data from three administrative data systems: Client Assistance for Re-employment and Economic Support (CARES), Kids Information Data System (KIDS), and Unemployment Insurance (UI) wage record files. To allow sufficient time for data matching, IRP restricted its analysis to participants who had entered WAA by June 30, 2001, thereby providing a minimum common follow-up period of 6 months for most outcomes.

The IRP performed its analysis on WAA participants who entered the program between January 2000 and June 2001, and were identified as NCPs in the KIDS database.<sup>2</sup> The analyses summarized here were further limited to those NCPs with a child support order continuously in effect for a 13-month period encompassing the six months prior to their first entry into WAA, the month of entry, and the six months after entry.

The IRP report cautions against drawing direct causal inferences from these data, and notes several issues that may affect data accuracy. Identifying NCP cases proved challenging because DWD identifies and collects this information differently for different programs, and because participants who may be both custodial parents and NCPs can only be recorded as one or the other in CARES. Furthermore, because the WAA program is voluntary, participants can "drift away" without formally withdrawing, meaning that some exit dates are approximate. Finally, changes in the local economy, as well as unobserved changes in personal circumstances, could also affect the child support changes being measured.

---

<sup>1</sup> Emma Caspar and Ingrid E. Rothe, *Child Support Outcomes Associated with the Workforce Attachment and Advancement (WAA) Program: An Examination of Potential Measures*. Report produced under contract between the Department of Workforce Development and the Institute for Research on Poverty, University of Wisconsin-Madison (March 2002).

<sup>2</sup> Because KIDS is designed specifically to track child support cases, IRP deemed the KIDS identification of NCPs as more accurate than CARES, which records either custodial or noncustodial status in order to establish participant eligibility under one status or the other, but which may not indicate when a participant eligible as a custodial parent is also an NCP.

## Findings

The IRP study identified a total of 420 NCPs as meeting its criteria, based on date of program entry and duration of a continuous child support order, for inclusion in the analysis summarized here. Of these NCPs, 54 percent were men and 46 percent were women.

### *Percentage of NCPs making child support payments*

As shown in figure 1, during the months following WAA entry, the percentage of NCPs with a child support order who were making payments was consistently 54 percent or higher—at least as high as any month prior to entry. The average number with a payment in the six months after entering WAA was 5 percent higher than the average in the six months prior to entry. The data also suggest that the number of NCPs making payments six months after entry was approximately 13% higher than it would have been had the generally downward trend at the time of entry (see dotted trend line in fig. 1) continued unchanged for the following six months.

Figure 1

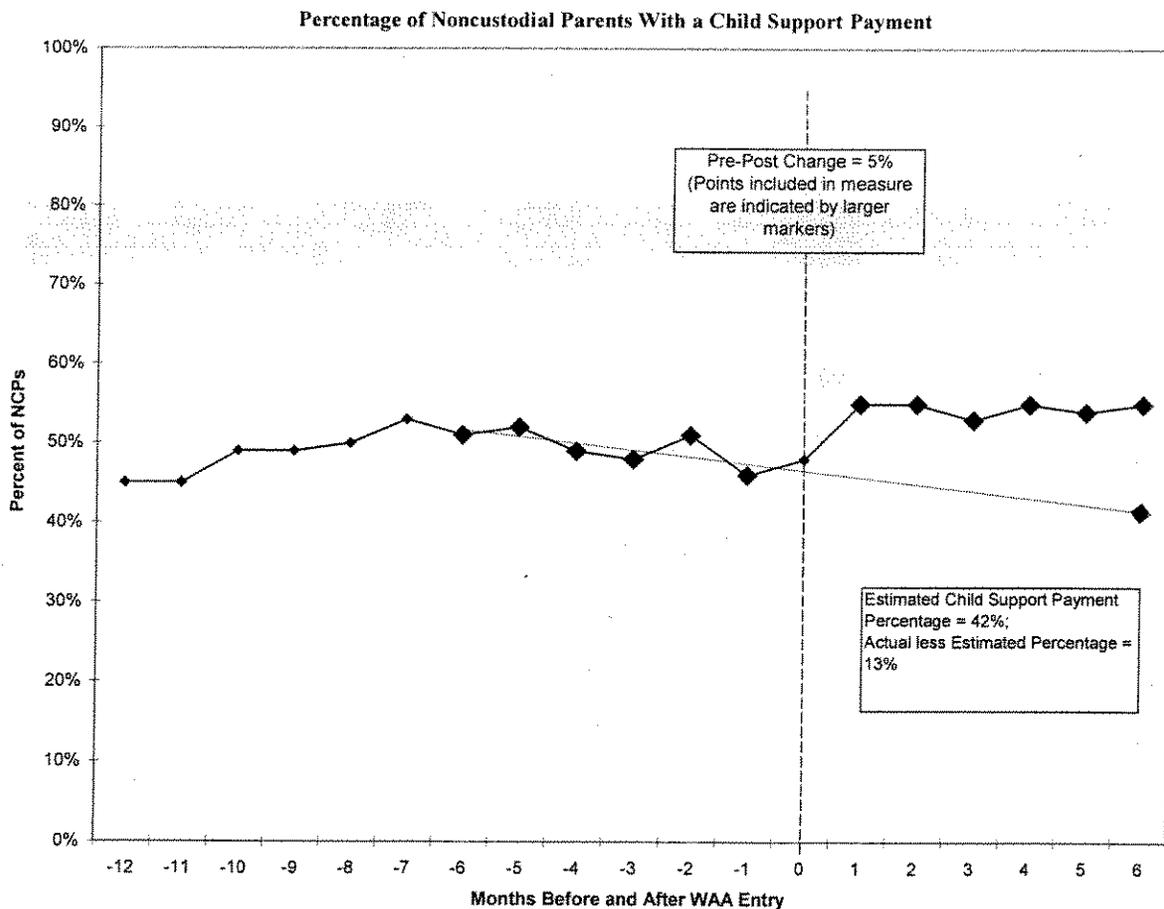


Chart from Caspar and Rothe, *Child Support Outcomes* (IRP/March 2002).

### *Amount of child support paid*

IRP performed two types of analysis to determine whether child support paid increased following WAA participation. The first, summarized in figure 2, analyzes data from all 420 NCPs with a child support order, whether that order was a fixed order (defined as a set dollar amount) or a percentage order (defined as a percentage of income). The second, summarized in table 4, looks only at that subset of NCPs with *fixed* orders.

As shown in figure 2, the average size of NCP participants' monthly child support payments dropped steadily during the five months prior to entry into WAA, then rose during the months after entry to levels similar to the highest pre-entry levels. On average, payments in the six months after WAA entry were \$14 higher than in the six months before WAA entry. Furthermore, the data suggest that, had the downward trend three months before entry into WAA continued, average child support payments six months after entry would have been \$57 lower than they actually were (as indicated by a dotted trend line in figure 2). Had the downward trend for six months prior to entry continued unchanged, payments six months after entry would have been \$88 lower than they actually were (again, indicated by a second dotted trend line in figure 2).

The pattern specifically for NCPs with *fixed* support orders, shown in table 4, was very similar to the overall pattern for all NCPs, with child support payments falling in the months just prior to entry, then rising again in the months after entry. When the amount paid is calculated as a percentage of the amount of the fixed child support order for that NCP, a similar pattern obtains. Had the downward trends in effect for these NCPs at time of enrollment continued unchanged, payments (both in absolute terms and as a percentage of the relevant child support order) would have been much less than they actually were six months after those NCPs entered the program.

### *NCP earnings*

Figure 3 summarizes earnings patterns for the NCPs with a child support order continuously in effect during the analysis period. These earnings patterns appeared broadly similar to those observed for WAA participants in general (see part 1 above): earnings fell in the quarters prior to and including the quarter of entry, then increased again in the quarter following entry. Average earnings were \$235 higher in the quarter after entry than they were in the quarter preceding entry.

Figure 2

Average Amount of Child Support Paid by Noncustodial Parents

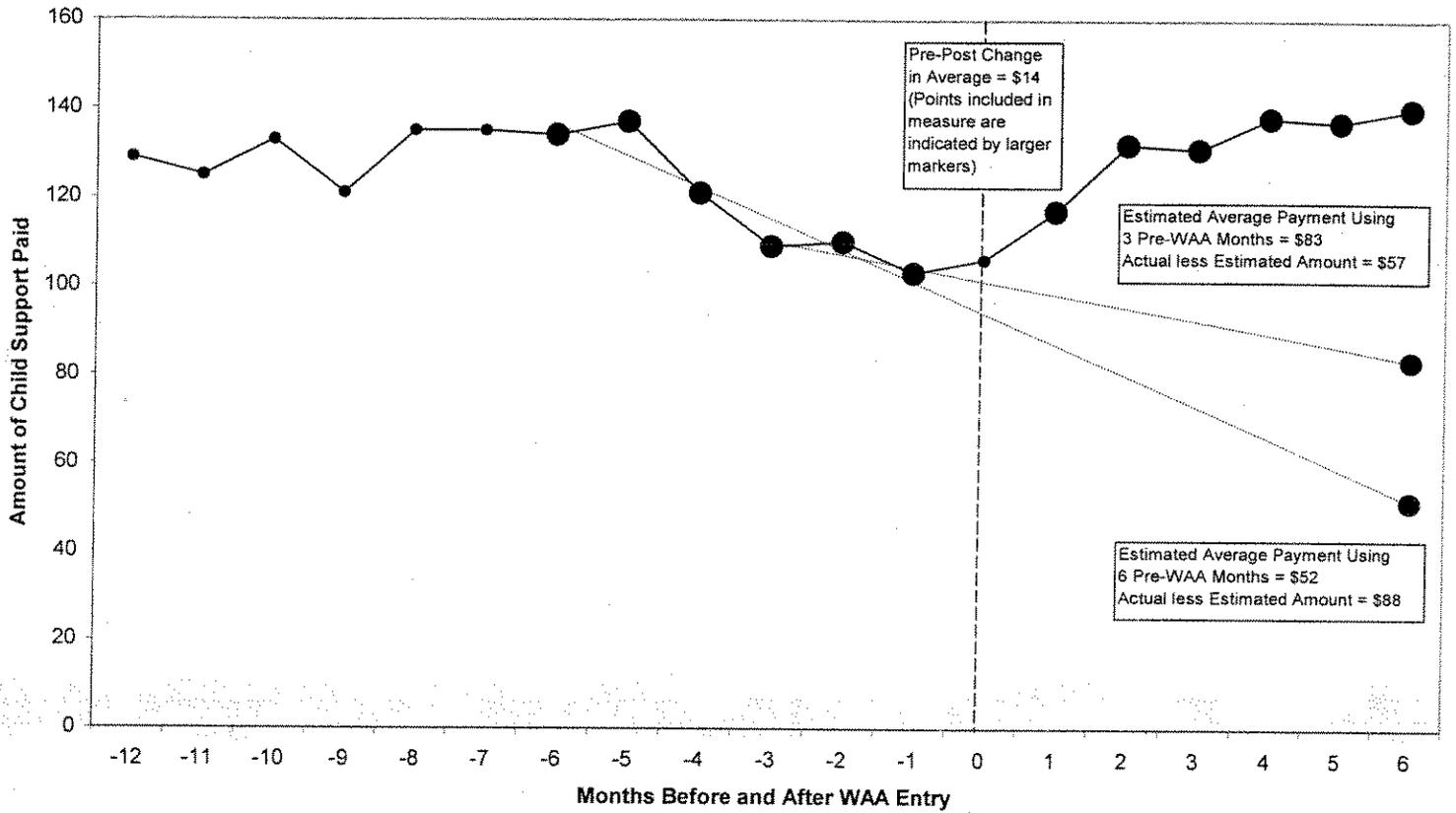


Chart from Caspar and Rothe, *Child Support Outcomes* (IRP/March 2002).

<b>Table 4: Child support outcomes for NCPs with fixed orders, before and after entry into WAA (N=241)</b>			
<b>Month relative to WAA entry</b>	<b>Average monthly amount of order</b>	<b>Average payment</b>	<b>Percentage of order paid</b>
6 months prior to entry	\$258	\$118	43.3%
5 months prior to entry	\$260	\$115	44.7%
4 months prior to entry	\$260	\$109	45.4%
3 months prior to entry	\$263	\$92	37.6%
2 months prior to entry	\$260	\$91	38.0%
1 month prior to entry	\$260	\$93	38.1%
Month of entry	\$260	\$93	39.0%
1 month after entry	\$261	\$115	45.1%
2 months after entry	\$261	\$127	51.0%
3 months after entry	\$267	\$129	48.9%
4 months after entry	\$268	\$126	49.9%
5 months after entry	\$268	\$122	43.9%
6 months after entry	\$265	\$127	47.9%
<i>Pre-post change; Average of 6 months after entry minus average of 6 months prior to entry</i>	\$5	\$21	6.6%
<i>Actual mean in 6<sup>th</sup> month after entry minus estimated mean using trend based on 6 months prior to entry</i>	\$1	\$82	21.3%
<i>Actual mean in 6<sup>th</sup> month after entry minus estimated mean using trend based on 3 months prior to entry</i>	\$16	\$31	8.0%

Table adapted from Caspar and Rothe, *Child Support Outcomes* (IRP/March 2002).

**FIGURE 3**  
**Noncustodial Parent Earnings**  
**Compared to Child Support Paid**

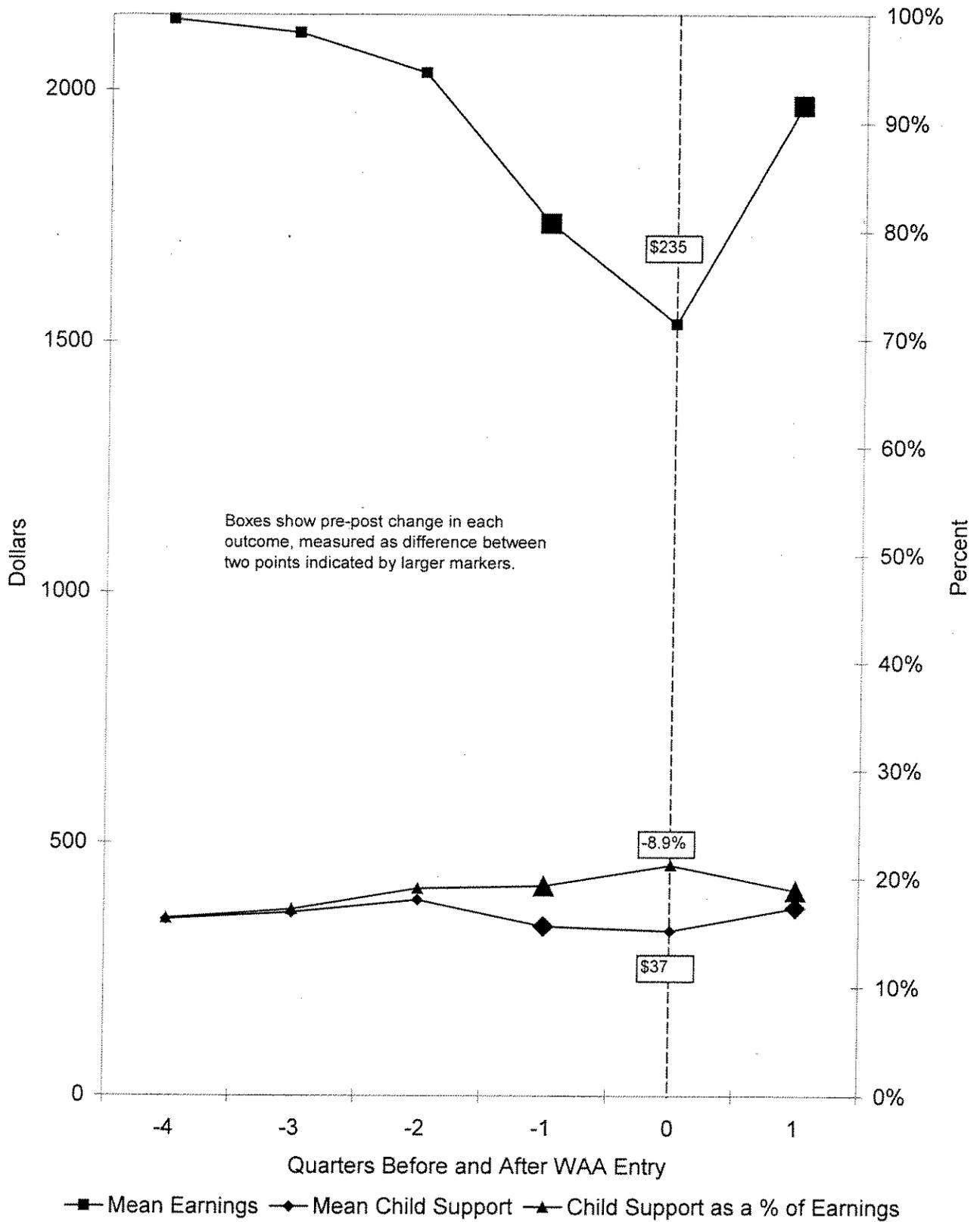


Chart from Caspar and Rothe, *Child Support Outcomes* (IRP/March 2002).

### *Child support payments by subgroups*

Table 5 shows a variety of different breakouts of the analysis sample of 420 NCPs with child support orders, indicating the change in child support paid by different subgroups. Although the Department has not performed in-depth analysis of these patterns of subgroup outcomes, several merit comment.

- The fact that average child support payments actually declined in Milwaukee may reflect the comparatively slow start-up of WAA there, as suggested by the small number of Milwaukee participants in the sample.
- The sharp contrast between increased average child support payments by men and a slight decrease for women may reflect the fact that nearly 80% of those in the sample who were custodial parents as well as NCPs were women. The similar pattern of outcomes in the "Gender" and "Combined NCP/CP status" may stem in part from the way parental status (NCP only versus Combined) divides along gender lines.

<b>Table 5 Change (pre-entry vs. post-entry) in child support paid (broken out by subgroup)</b>				
<b>Subgroup</b>	<b>N</b>	<b>Avg. monthly child support payment for 6 months pre-WAA</b>	<b>Avg. monthly child support payment for 6 months after WAA entry</b>	<b>Difference</b>
NCPs with an order during 6 months prior to entry through 6 months after entry	420	\$119	\$133	\$14
NCPs that left WAA prior to June 30, 2001, and did not return prior to December 31, 2001	139	\$126	\$137	\$11
<b>Duration in WAA</b>				
0-6 months	157	\$121	\$129	\$8
6-12 months	201	\$125	\$142	\$17
13-24 months	62	\$95	\$114	\$19
<b>Age of youngest child</b>				
0-2	100	\$134	\$153	\$20
3-5	102	\$108	\$109	\$1
6 or older	218	\$118	\$135	\$17
<b>Number of children at entry</b>				
One	185	\$96	\$109	\$13
Two	123	\$125	\$137	\$13
Three or more	112	\$152	\$168	\$17
<b>Race/Ethnicity of NCP</b>				
White	207	\$129	\$158	\$29
African American	98	\$95	\$112	\$17
Other	115	\$122	\$106	-\$16

<b>Table 5 Change (pre-entry vs. post-entry) in child support paid (broken out by subgroup)</b>				
<b>Subgroup</b>	<b>N</b>	<b>Avg. monthly child support payment for 6 months pre-WAA</b>	<b>Avg. monthly child support payment for 6 months after WAA entry</b>	<b>Difference</b>
<b>WAA County</b>				
Milwaukee	24	\$139	\$96	-\$43
Other urban	262	\$113	\$127	\$14
Rural	134	\$128	\$151	\$24
<b>Time elapsed since first child support order</b>				
2 years or more	74	\$123	\$144	\$21
7-23 months	346	\$119	\$131	\$12
<b>Gender of NCP</b>				
Male	313	\$136	\$155	\$19
Female	107	\$71	\$70	-\$1
<b>Combined NCP/CP status (19 months around WAA program)</b>				
Those only NCP	286	\$131	\$151	\$21
Those both NCP and CP	134	\$95	\$94	-\$1
<b>Workforce Development Area</b>				
Southeast	120	\$74	\$94	\$21
Milwaukee	24	\$139	\$96	-\$43
W-O-W	43	\$175	\$221	\$46
Fox Valley	28	\$164	\$136	-\$28
Bay Area	70	\$119	\$139	\$20
North-Central/Northwest	23	\$156	\$179	\$23
West Central	33	\$122	\$130	\$8
Western	14	\$83	\$104	\$20
South Central/Dane	32	\$140	\$153	\$13
Southwest	33	\$128	\$134	\$6
<b>Program track</b>				
W-2 Agency	132	\$111	\$117	\$7
WDB	111	\$114	\$126	\$12
Combination	177	\$130	\$149	\$19
<b>Divorce or paternity case</b>				
Divorce	260	\$100	\$117	\$18
Paternity	116	\$149	\$151	\$2
Both	35	\$174	\$205	\$32
<b>Prior child support payments (in 12 months prior to entry)</b>				
No child support paid	62	\$0	\$47	\$47
\$1 - \$ 999	158	\$34	\$75	\$41
\$1,000 or more	200	\$224	\$205	-\$18

Table adapted from Caspar and Rothe, *Child Support Outcomes* (IRP/March 2002).

### PART III: DEMOGRAPHICS OF WAA PARTICIPANTS

This section provides selected demographic information about the WAA participants sampled for analysis in this report. The tables which follow present data for two sample groups:

- the full sample of WAA participants who had enrolled in the program through September 30, 2001. This is the same group sampled, quarter by quarter, for earnings analysis in part I, table 1, above.
- a subset of the former participants who left WAA by July 1, 2001, specifically, those former participants for whom earnings data in the first quarter after leaving WAA are analyzed in part 1, table 3, above.

For both of these groups the tables summarize information about geographic location, gender, race/ethnicity, age, and educational level. The tables also report on the numbers of participants in the three WAA program "tracks," as well as on the numbers that are either custodial or noncustodial parents.

#### Geographic distribution

Geographic distribution of WAA participants		
Workforce Development Area (WDA)	All WAA participants as of 9/30/01 (N=3914)	Subgroup of those who left WAA by 7/1/01 (N=1005)
1. Southeast	12.5%	23.4%
2. Milwaukee County	16.1%	8.1%
3. Waukesha Ozaukee Washington	6.4%	11.1%
4. Fox Valley	7.7%	4.0%
5. Bay Area	17.2%	8.4%
6. North Central	5.1%	4.0%
7. Northwest	2.8%	6.3%
8. West Central	6.0%	4.9%
9. Western	6.5%	6.6%
10. South Central/Dane	10.7%	10.5%
11. Southwest	9.7%	13.0%

## Gender

Gender of WAA participants		
Gender	All WAA participants as of 9/30/01 (N=3914)	Subgroup that left WAA by 7/1/01 (N=1005)
Male	22.0%	25.0%
Female	78.0%	75.0%

## Race/Ethnicity

Race/Ethnicity of WAA participants		
Race/Ethnicity	All WAA participants as of 9/30/01 (N=3914)	Subgroup that left WAA by 7/1/01 (N=1005)
American Indian/Eskimo	3.6%	2.9%
Asian/Pacific Islander	0.9%	0.7%
Black, not of Hispanic origin	26.0%	30.5%
Hispanic origin	3.3%	2.4%
Southeast Asian	0.3%	0.0%
White	54.4%	50.1%
Other	0.3%	0.2%
Unknown	11.3%	12.5%

## Age

<b>Age of WAA participants</b>		
<b>Age group</b>	<b>All WAA participants as of 9/30/01 (N=3914)</b>	<b>Subgroup that left WAA by 7/1/01 (N=1005)</b>
Less than 18 years	0.1%	0.0%
18-20 years	7.0%	5.2%
21-24 years	16.9%	16.8%
25-29 years	21.3%	22.0%
30-34 years	18.8%	18.1%
35-39 years	17.8%	17.5%
40-44 years	11.0%	12.7%
45-49 years	5.1%	5.4%
50-54 years	1.5%	1.8%
55-59 years	0.4%	0.4%
60-64 years	0.0%	0.0%

## Educational level

<b>Educational level of WAA participants</b>		
<b>Educational level</b>	<b>All WAA participants as of 9/30/01 (N=3914)</b>	<b>Subgroup that left WAA by 7/1/01 (N=1005)</b>
No formal schooling	0.8%	0.2%
Elementary school (K-8)	1.9%	1.6%
Secondary school (9-12)	39.0%	46.0%
High school grad or equivalent	33.3%	31.1%
Post high school	18.7%	18.3%
Unknown	6.3%	2.8%

**Parental status**

<b>Parental status of WAA participants</b>		
<b>Parental status</b>	<b>All WAA participants as of 9/30/01</b>	<b>Subgroup that left WAA by 7/1/01</b>
Custodial parent	3,482	890
Noncustodial parent	439	116
<b>Total<sup>1</sup></b>	<b>3,921</b>	<b>1,006</b>
<sup>1</sup> Participants may fall into both categories and be counted in both over the course of their participation in WAA. Hence the total shown here is greater than the total number of individuals in the sample.		

**Program track**

<b>Program track of WAA participants</b>		
<b>Program Track</b>	<b>All WAA participants as of 9/30/01</b>	<b>Subgroup that left WAA by 7/1/01</b>
Track 1: W-2 Agency	1,375	418
Track 2: WDB	1,204	220
Track 3: Both	1,500	395
<b>Total<sup>1</sup></b>	<b>4,079</b>	<b>1,033</b>
<sup>1</sup> Participants may fall into multiple categories and be counted in more than one over the course of their participation in WAA. Hence the total shown here is greater than the total number of individuals in the sample.		

## PART IV: PERFORMANCE STANDARD INFORMATION

This section provides updated performance standard information for the placement, retention, and earnings outcomes. 1999 Wisconsin Act 9 required that DWD measure the performance of W-2 agencies and WDBs with respect to four program outcomes: employment placement for unemployed persons, job retention, increased earnings, and, for noncustodial parents (NCPs), increased child support collections. On May 14, 2001, the Department submitted an ad hoc report on outcomes for the first three of these standards through April 30, 2001. This section provides updated outcome data through January 31, 2002.

### Performance standards

The updated outcomes as well as the definitions of each performance standard are included below.

#### *Employment placement for unemployed persons*

This performance standard measures the percentage of completed WAA episodes where the participant entered as unemployed and exited the program employed.

Numerator ( <i>Unemployed at WAA entry, employed at WAA exit</i> )	551
Denominator ( <i>Participants unemployed at entry into WAA</i> )	1167
<b>WAA Employment Performance Standard Percentage</b>	<b>47.2%</b>

The outcomes for this standard have remained fairly constant in the last year; generally between 47% and 50% of unemployed individuals are placed.

#### *Job retention*

This performance standard measures the percentage of completed WAA episodes where the participant entered as employed and was still employed at program exit.

Numerator ( <i>Participants employed at WAA entry and exit</i> )	1,562
Denominator ( <i>Participants employed at entry into WAA</i> )	2,011
<b>WAA Job Retention Performance Standard Percentage</b>	<b>77.7%</b>

The outcome for this standard has improved since the May 2001 report, which showed 73.7% retention. DWD continues to provide technical assistance to agencies to ensure appropriate reporting of participant information as they exit the program.

### *Increased earnings*

This measure is split into two categories:

- (A): For participants employed at entry, it compares the average earned income at entry to the average earned income at program exit.
- (B): For those participants unemployed at program entry, it measures the average earned income if they leave the program employed.

<b>Employment status at entry</b>	<b>Employment status at exit</b>	<b>Completed WAA episodes</b>	<b>Average change in monthly earnings (entry vs. exit) per participant</b>
(A) Employed at entry	Employed at exit	1,562	\$142.69
	Unemployed at exit	449	-\$972.18
(B) Unemployed at entry	Employed at exit	551	\$1,328.47
	Unemployed at exit	616	\$0.00
<b>Total</b>		<b>3,178</b>	<b>\$163.11</b>

For those participants who enter and exit employed, the \$142.69 increase in their monthly income demonstrates advancement in their employment. The average for all participants on this standard is a monthly earnings increase of \$163.11. For NCPs, this monthly average earnings increase has been higher throughout the program, and was \$306 in January.

The negative earnings outcomes for participants who enter employed and exit unemployed continue to be an area of concern and increased attention in DWD monitoring and technical assistance. One possible reason for a portion of those cases is that currently participants must be closed out of the WAA program as either employed or unemployed. Because there is no "unknown" option, participants who cannot be located—even though they may actually be employed—have their cases closed out as unemployed. This performance measure will receive increased attention for participant follow-up by local agencies and in DWD monitoring and technical assistance in order to further identify the problems and develop solutions.

### **Benchmarks**

To help ensure continuous improvement within the WAA program, DWD has established benchmarks for the three performance standards included here for the contract period that begins July 1, 2002. The benchmarks, based on agencies' performance through January 2002, are for information purposes and are not tied to receipt of funding. DWD will

measure whether agencies have met with a statewide average benchmark for each standard, or a benchmark for their Workforce Development Area (WDA). The benchmarks will provide an additional tool to assist DWD and the local WAA agencies in monitoring program effectiveness and identifying areas for improvement.

## **PART V: SUMMARY AND NEXT STEPS**

### **Principal findings**

The data summarized in this report are consistent with a program designed to help participants increase their earnings and support their families through work.

At the time they enrolled in WAA, participants had experienced several quarters of declining earnings. In the quarters after leaving the program, participants for whom data were available experienced earnings increases. By the second and third quarters after exit former participants were earning as much as or more than they had earned during any of the four quarters just prior to enrollment.

This basic pattern extended to noncustodial parents paying child support. Earnings that had been falling prior to enrollment began increasing in the months after entry. What is more, average monthly child support payments by participants followed a similar pattern of pre-program decline followed by increases after participants enrolled.

These data do not necessarily show a direct correlation between program participation and increased earnings. They do, however, offer encouraging initial signs that participants in WAA are experiencing measurable improvements in their earnings, as intended by the program.

### **Next steps**

The Department has been supportive of the legislative requirement to study and evaluate the WAA program. This has provided opportunities not only to learn more about the program but also to develop tools for more detailed analysis in the future.

As noted in the introduction, the steps the Department has taken to complete this study, most notably the creation of the data warehouse, also serve the longer-term goal of providing ongoing reports on program effectiveness. The Department has also learned new analysis techniques for studying the earnings and child support payments of WAA participants over time. In addition, the Department has made progress in implementing and refining the WAA performance standards, including establishing benchmarks for the standards on job placement, job retention, and earnings increases, effective for the next contract cycle beginning in July of 2002.

The Joint Finance Committee motion calling for a detailed report on WAA earnings impacts also called for the Department to compare the earnings of WAA participants with

the poverty line. However, because poverty measures are based on family size, developing this particular comparison requires a detailed analysis of WAA participant family size that the Department has yet to complete. The Department expects to include such an analysis, and to relate data on family size and earnings to the poverty level, in a future report.

The Department looks forward to sharing the results of this study with WAA program operators and case managers. The Department expects discussions with local agency staff to provide additional perspective on the lessons learned from the report and on the next steps the Department should take based on those lessons.

The Department will update the data in this report and provide a summary to the legislature on an annual basis in order to provide continuing and comprehensive information on the progress of the WAA program.

Scott McCallum  
Governor

Jennifer Reinert  
Secretary



State of Wisconsin

Department of Workforce Development

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

April 16, 2002

The Honorable Gary George  
Joint Audit Co-Chair  
State Capitol, Room 188 S.  
PO Box 7882  
Madison, WI 53707-7882

The Honorable Brian Burke  
Joint Finance Co-Chair  
State Capitol, Room 316 S.  
PO Box 7882  
Madison, WI 53707-7882

The Honorable Joseph Leibham  
Joint Audit Co-Chair  
State Capitol, 123 W.  
PO Box 8952  
Madison, WI 53708

The Honorable John Gard  
Joint Finance Co-Chair  
State Capitol, 315 N.  
PO Box 8952  
Madison, WI 53708

Dear Senator George, Representative Leibham, Senator Burke, and Representative Gard:

In November 2000, the Legislative Audit Bureau (LAB) issued a report on the Division of Vocational Rehabilitation (DVR). The audit contained a series of recommendations for improvements in the DVR program.

The report requested the Department of Workforce Development (DWD) report to the Joint Committee on Audit on March 1, 2001, and quarterly thereafter with respect to its progress in addressing the issues discussed in the report. In addition, the Joint Committee on Finance approved a motion on December 19, 2000, requiring DWD to submit a report on the current status of Wisconsin's vocational rehabilitation program. This report is our fifth of the required quarterly reports to both committees.

We are very pleased to report about our continuing progress on addressing the recommendations made by the LAB. At the end of February 2002, the active caseload was at 21,227 and on March 11, 2002, all individuals on the Order of Selection (OOS) waiting list were activated. Previously, on October 5, 2001, we had activated all consumers on the OOS waiting list.

At this time, applicants eligible with either the most significant disabilities (Order of Selection (OOS) Category 1) or significant disabilities (OOS Category 2) do not go on the waiting list but, instead, are activated immediately.

Applicants eligible in OOS Category 3 continue to be placed on the waiting list. Please note, however, that everyone in Category 3 had been activated twice this state fiscal year. OOS Category 3 had 143 individuals on the waiting list on April 1, 2002.

In our previous quarterly reports, we reported on the creation of a task force of 36 individuals with various backgrounds to analyze the issues raised by the LAB report. Seven work groups were formed to ensure the task force recommendations and LAB issues are addressed. I would like to again provide you with a brief update on each of the seven work groups.

### **Case Service Program Funds Allocation Formula Work Group**

This work group was established to review LAB's concerns with DVR's formula for allocating case service budgets to district offices and to recommend changes to address them.

The work group recommended a new formula for allocating case service budgets to district offices. The division used their recommended formula for SFY02 and will use it for SFY03.

### **Training Program Work Group**

This work group was charged with developing a comprehensive new training program for DVR employees. The workgroup developed three recommendations. The first recommendation to fill the two vacant training positions has been accomplished. The second recommendation is to establish training as an ongoing part of an employee's development and the third recommendation is to provide training on policy, policy interpretation and other required procedures.

The division has held two five-day training sessions for vocational rehabilitation counselors this state fiscal year. Two additional five-day training sessions are scheduled in the next several months.

In addition, all DVR Supervisors have been receiving training once per month in focused areas as part of a monthly administrative meeting.

### **Third Party Contracts Work Group**

This work group has developed several contracting items involving general guiding principles, cost principles, outcome expectations, contract monitoring, and a process to focus third-party cooperative agreements to areas that will help best serve DVR consumers.

The division has limited third-party cooperative agreements to three focus areas for SFY02. The three focus areas are: Pathways to Independence, Mental Health

Community Support Programs' vocational work services, and supported employment for consumers with developmental disabilities.

### **Counselor Recruitment and Retention Work Group**

The division had reduced the number of vacant counselor positions to ten late last year as noted in the last quarterly report. However, because of a statewide hiring freeze late last year, the number of vacant counselor positions has increased back to 14 vacancies. The freeze also limited the ability to hire counselor interns during the spring 2002 semester. By the time DVR was exempted from the freeze, few counseling students were still seeking intern placements and DVR hired only two interns rather than the eight that were anticipated. Since internships are a significant recruiting tool, DVR may have increased difficulty recruiting qualified candidates to fill counselor vacancies during the summer months.

### **Quality Assurance/Internal Audit Work Group**

This work group has developed two primary recommendations for quality assurance in DVR. First, the work group recommends improvements to management systems and; second, the creation of a program review and evaluation function.

The DVR Policy Academy, the new quality assurance committee, has been meeting monthly since December 2001. The Policy Academy has been developing monitoring tools for systematic review of case files. It is anticipated that this case review will begin this summer. The case review findings will be used to make recommendations for policy revisions and staff training.

### **IPE Development in Case Management Processing Work Group**

This work group completed its final report making recommendations related to software (integrated case management system), case management practices, staff training, fiscal, and technology pilots.

The division has established a new work group that has been developing systems requirements to implement the software recommendations and has developed an information technology plan for SFY03. The plan addresses implementation of many of the work groups' recommendations. The recommendations will most likely be implemented over several years because of budget limitations.

### **Forecasting and Finance Work Group**

This work group has made improvements in the forecasting model used for activating cases from the Order of Selection (OOS) waiting list. The forecasting model used during SFY 2001 has been revised for SFY 2002 based on our initial experience with the tool.

The department and division continue to use this forecasting tool to monitor actual caseloads, expenditures and obligations, and to forecast future expenditures and obligations. Using the revised forecasting model for SFY02, the division has been able

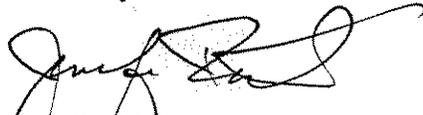
Joint Finance Committee & Joint Audit Committee

April 16, 2002

to completely eliminate the OOS waiting list twice. As part of the information technology plan for SFY03, additional refinements to the divisions' ability to forecast future expenditures to implement approved individual plans for employment will be made.

The division continues to monitor its progress in fully implementing all the LAB recommendations. We believe that we have made substantial progress. In concurrence with the end of the legislative session, this will be the final quarterly report to both the Joint Committee on Audit and the Joint Committee on Finance. If you would like the Department to continue submitting these reports, please let me know. I am very pleased to report at this time that DVR is in a sound financial position and continues to aggressively move forward to serve all its consumers in an efficient and effective manner.

Sincerely,



Jennifer Reinert  
Secretary

cc: Janice Mueller, Legislative Audit Bureau

**Scott McCallum**  
Governor

**Jennifer Reinert**  
Secretary



**State of Wisconsin**  
**Department of Workforce Development**

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

July 3, 2002

The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
317 East, State Capitol  
Madison, WI 53701

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

Previous legislative action established two "contingency funds" to cover the potential need for additional Wisconsin Works (W-2) cash benefits in the 2001-03 biennium. The ability to establish each of these contingency funds was premised on anticipated under-spending from certain contracts funded from the Temporary Assistance for Needy Families (TANF) budget, specifically, contracts that ended December 31, 2001. By this letter, the Department of Workforce Development (DWD) is reporting to the Committee on the amount of actual contract under-spending and its relationship to these contingency funds.

The first of the two contingency funds was established by 2001 Wisconsin Act 16 to consist of unexpended amounts from the Community Reinvestment (CR) contracts earned under the 1997-99 W2 contracts. Act 16 required these contracts to end in December and reallocated \$12,730,000 in anticipated under-spending to other programs. The remaining amount from these contracts will provide \$5,308,245 to the cash-benefits contingency fund. DWD is working with DOA to immediately perform the file maintenance to transfer this budget authority to the JFC contingency fund appropriation.

The second cash-benefits contingency fund was created by the Committee at its December meeting under s.13.10 (Motion 2009). The motion established this contingency fund at \$15,000,000 based on an early estimate of the amount of under-spending in the 2000-2001 contracts that were drawing to a close. As a result of the contract closeout process, this under-spending is now estimated at \$17,102,400. The Committee's previous action has already transferred \$15,000,000 of this amount to the Committee's appropriation. The Department may request—subject to DOA approval—reallocation of the remaining under-spending to cover overspending in other allocations. At this time, the Department anticipates that the majority of the funding may be needed to cover net over-spending in DHFS programs that use TANF funding. It is also likely that DWD will need to cover SFY 02 overspending in the Food Stamps for Legal Aliens program.

In addition to the CR and W-2 contract under-spending, DWD has identified a total of \$965,398 in under-spending from other contracts that ended in December. By program area, these amounts are \$788,627 from Community Youth Grants, \$113,447 from Children First, and \$63,324 from the Alcohol and Other Drug Abuse (AODA) contract administered by the Department of Health and Family Services. As it has in the past, DWD will prepare a

The Honorable Brian Burke  
The Honorable John Gard  
July 3, 2002  
Page 2

comprehensive report on under-spending and over-spending in all TANF programs after the accounting closeout of State Fiscal Year 02.

If you have questions, please contact Tom Smith, DWD Budget Director, at 266-7895.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Reinert", with a stylized flourish at the end.

Jennifer Reinert  
Secretary

cc: Governor Scott McCallum  
Joint Committee on Finance  
State Budget Office  
Legislative Fiscal Bureau