

👉 **05hr\_JC-Au\_Misc\_pt07h**



👉 Details: Follow-up: Audit Report 05-6, An Evaluation: Wisconsin Works (W-2) Program,  
Department of Workforce Development

(FORM UPDATED: 08/11/2010)

## WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

**2005-06**

(session year)

**Joint**

(Assembly, Senate or Joint)

**Committee on Audit...**

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)

**W2-Audit 05-6**  
DHS Questions for Hearing

**Provision of Services Section:**

- 1) pg 28-29 *Differing levels of service statewide* - ✓
  - \*\* statewide differences is understandable...why the large differences in services between Milwaukee County agencies?
  - \*\* Do we need to have more uniform standards for Milw. Cnty. agencies to ensure equal access to available services?
- 2) pg 32-33 *Avg. Monthly Service Expenditures* - ✓
  - \*\* How come there are large differences between Milw. Cnty (& within the Cnty) and the balance of the state? It can't just be economy of scale working in their favor.
- 3) pg 34-35 *Number of Job Ready(JR) participants* -
  - \*\* Is the drop in the number of JR participants due to better clarification of JR by DWD?
  - \*\* Should there be clearer guidelines – how do you define “willing attitude”?
  - \*\* Why would that even be a consideration if the purpose of the program is work first?

**Eligibility Limits Section:**

- 1) pg 40 *Denial of Benefit Extensions* -
  - \*\* When DWD decided in April 2003 to allow agencies to take over approving denial of benefit extensions, had they also reviewed the agencies record on “not-approving” in addition to their “approval” record?
- 2) pg 44-46 *Extension of Benefits* -
  - \*\* What is DWD doing to ensure that extension requests are handled fairly statewide?
  - \*\* Is the process loosely defined?
  - \*\* Can you explain the considerable differences within Milw. Cnty. by agency?

**Program Effectiveness Section:**

- 1) pg 55 *Custodial Parent of Infant* -
  - \*\* What plans does DWD have to prevent W-2 from becoming subsidized maternity leave for employers unwilling to extend this benefit to their employers?

**Improving Program Management Section:**

- 1) pg 65-67 *Avg. of 17.7 Hours Assigned to Work Activities* -
  - \*\* One-fifth of participants had no work experience assigned!
  - \*\* What is DWD specifically doing to address this problem?
- 2) pg 70 *Program Placement Changes* -
  - \*\* Does DWD have any plans to exercise their ability to impose monetary penalties to agencies who consistently make payment errors? ← \$
  - \*\* LAB's recommendation – does not ask DWD to report back on this – shouldn't they?
- 3) pg 73-74 *Participants' Educational Achievements* -
  - \*\* What plans does DWD have to address the inaccuracy of records pertaining to participants educational achievements?
  - \*\* Is there any penalty to a participant for not following through on an educational commitment?

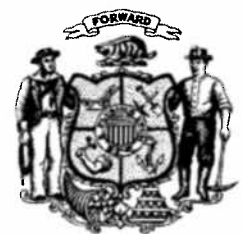
- 4) pg 75-78 **Barrier Screening** – required to use: required to take – voluntary ✓
- \*\* When will DWD's formal review of the barrier screening tool be completed?
- 5) pg 78-81 **Trial Jobs** - ✓
- \*\* Why do you think the current Trial Job component is not working to the degree expected?
  - \*\* Why is the proposal in the Governor's budget going to be more successful?
  - \*\* If the proposal fails, what should be done with the old program?

**Participant Sanctions and Complaint Resolution Section:** ✓

- 1) pg 86-87 **Inappropriate Sanctions** -
- \*\* Why doesn't DWD utilize monetary sanctions for agencies when inappropriate sanctions occur, especially in Milwaukee County who had most of them? ← \$
- 2) pg 89 **Use of "strikes"** -
- \*\* Is there a reason that DWD does not promote the use of strikes?
- 3) pg 90-93 **Complaint Resolution** -
- \*\* Do you have any insight as to why the number of cases disposed of before hearings is so high in Milw. Cnty and why they differ so much from agency to agency?
  - \*\* Does the process allow for too much interpretation of the guidelines since Milw. Cnty's ruling outcomes seem to differ from the rest of the state?
  - \*\* Given that so many appeals are found in favor of the participant, do you think we should continue to allow fact-finding at the agency level? If so, why?



# WISCONSIN STATE LEGISLATURE



- W-2 - A lot of National attention - NYT

- Alberta said DWD was at OIC for? before

↳ sent from main DWD oversight - Betty Rogers - OIC  
had to contract

Cond 7.7. ↳ Timeframe, duties, why sent

• Reviews mixed

• need I.S.B investment - what have we received

• Trial jobs is a bust - need to fix

\* - Meet tomorrow?

→ changes in contracts

→ legis changes?

→ ~ = light touch → no → back to light touch

→ extreme variations in how services . . .

- State employees - dual coverage

• lose sick leave unless covered by the state health care plan →

↳ Travis - 2003 request



## W-2 Article Summaries

### W-2's Poor Stay Poor, Audit Finds (MJS 4/8/05):

- ACCORDING TO THE AUDIT, THE MAJORITY OF POOR PEOPLE STAY POOR AFTER GOING THROUGH THE WELFARE REFORM PROGRAM.
- AUDIT REPORT PRESENTS AN OVERALL PICTURE OF A COSTLY EFFORT. \$1.5 BILLION FROM LATE 1997-MID 2004.
- THE PROGRAM HAS SUCCESSFULLY HELPED SOME PARTICIPANTS GAIN UNSUBSIDIZED EMPLOYMENT BUT A SIGNIFICANT PORTION OF FORMER PARTICIPANTS REMAIN IN POVERTY.
- W-2 PARTICIPANTS WHO LEFT THE PROGRAM IN LATE 1999 WERE EARNING ON AVERAGE \$8,300 THEIR FIRST YEAR OUT OF THE PROGRAM AND LESS THAN \$12,000 BY THE FOURTH YEAR OUT OF THE PROGRAM.
- THE MOST COMMON JOB FOUND BY FORMER W-2 PARTICIPANTS IS WORKING FOR TEMPORARY HELP SERVICES.
- THE W-2 PROGRAM HAS EXISTED FOR 8 YEARS AND HAS JUST A SMALL FRACTION OF THE CASELOAD THE PREDECESSOR WELFARE PROGRAM HAD.
- THE GOAL OF W-2 WAS TO REPLACE A CULTURE OF DEPENDENCY WITH GOVERNMENT SPONSORED WORK INCENTIVES.
- W-2's diminished caseload continues to be recognized by program supporters as proof of success.
- Shortcomings highlighted by the Audit report include overpayments to clients, no work or training for some clients receiving checks, and low marks to W-2 agencies on meeting performance standards.

- The W-2 program should not be seen as the States only anti-poverty program.
- Wisconsin is working to link W-2 participants with other programs to provide job training and other advancement opportunities.
- Key Findings of the Report:
  - 19% of the W-2 clients who left the program in late 1999 earned incomes above the federal poverty level which is \$15,670 for a family of three.
    - By 2003, approximately 27% earned more than the poverty level.
    - even with state and federal income tax credits available to the working poor, the average income of the W-2 graduate remained well below the poverty level.
  - W-2 agencies mistakenly overpaid clients by \$3.2 million from 1997-2004.
    - The overpayment was most commonly done for non-working mothers of newborns beyond the 12 weeks allowed by the state.
  - The number of hours W-2 clients worked in community service jobs dropped from 26.5 a week in 1998 to less than 18 hours a week in 2004.
    - 20% of the clients in the W-2 service job category had no work assignment at all in 2004.
- The audit notes that a large surge in the caseload of new mothers, mostly outside Milwaukee County, who are not involved in any work or training.
- Local W-2 agencies have recognized that to women leaving jobs that don't provide fringe benefits are using W-2 as a form of paid maternity leave.



- Fewer than half the participants from mid-2003 to mid-2004 were screened to determine whether they had employment barriers such as a mental illness or substance abuse problems.
- In Milwaukee County, monthly costs of services to participants varied from a low of \$310 to a high of \$479.
- The Audit Report calls for greater oversight and consistency in the program, better efforts to curtail heavier punishments of racial minorities who violate W-2 rules, and more appropriate training for a majority of the participants.
- If there is resurgence in caseloads that will likely mean the program will come up short for the current two year period and that local agencies will need another \$25.7 million added to the \$258.8 million previously sanctioned.
- The month prior to the introduction of the W-2 program, 35,000 families received assistance through the old Aid to Families with Dependent Children.
- The caseload dropped to less than 23,000 for W-2's start in September 1997, dropped to under 11,000 by April 2000, and then rose slightly to 15,000 by mid-2004.
- There have been scandals that have brought down two large W-2 providers, both in Milwaukee.
- The audit stated that these programs resulted from a lack of appropriate internal controls instituted by the W-2 agencies and inadequate contract oversight.

Audit: W-2 Not Fighting Poverty (WI State Journal 4/8/05):

- The W-2 Program continues to turn out inconsistent skilled workers. The majority of these workers don't rise above the poverty level.
- The Audit Report found significant increases in the number of women with newborns qualifying for assistance. This

suggests many jobs don't provide fringe benefits and the women are using W-2 for paid maternity leave.

- The Audit recommends that W-2 increase training and improve job placement to ensure participant success.
- According to Kristin Settle from the Institute for Wisconsin's Future, "the goal should be not only to make W-2 cost effective for taxpayers but job effective for participants."
- Participants of W-2 receive grants up to \$673 per month based on their ability to work.
- They must attend education, training, or treatment programs, or work in state-subsidized jobs until they find work in a private sector.
- One year after leaving the program, 4 in 5 graduates were earning less than the poverty level. The percentage out of poverty increases slightly down the line.
- The W-2 program was designed to go beyond helping people find work to becoming self-sufficient.
- The audit report found that the percentage of graduates who returned to the program increased from 38.6% to 52.3% in June 2004.
- The audit also points out management lapses by the state agency and 52 public and private agencies that administer the program.

New Moms Using W-2 As Paid Maternity Leave (Capital Times 4/8/05:

- The Audit report states that the program is being used as paid maternity leave for women who do not have fringe benefits.
- Custodial parents of infants are not required to work outside the home. They are also eligible for \$673 cash grants until their infant is older than 12 weeks.

- The number of W-2 participants who are custodial parents doubled from June 1998 to June 2004.
- The audit also found that from September 1997 to June 2004, W-2 Agencies paid 2,500 custodial parents of infants longer than the maximum 12 weeks. This resulted in a \$1.3 million in excess payments.
- The Governor's proposed budget would extend the 12 weeks to 26 week maximum. Would also require that individuals participate in program services such as job training during the extended time.
- The Governor's budget also proposes that women in their third trimester who have an at-risk pregnancy can qualify for \$673 cash grant per month.
- The goal of W-2 is to help the poor to become economically self-sufficient through employment.
- The audit found that in June 2004 about 1/5 of the participants in community service jobs were not assigned work by the agency managing the W-2 program.

#### W-2 Has Failed to Lift Families from Poverty (MJS 4/10/05:

- The goal of the program was to provide economic self-sufficiency through employment yet only 1/5 of the graduates from the W-2 program have risen above the poverty level.
- The W-2 program was to revolutionize the Aid to Families with Dependent Children program.
- Those who support the program focus on the caseload numbers. The number of participants dropped from 35,000 to 23,000 at the start of W-2 in 1997. Then dropped to 11,000 in April 2000.
- In the 1990's the economy soared which can account for some of the reduction in the amount of participants.

- Since jobs have been harder to come by in this decade, the amount of participants as increase to 15,000 in June of 2004.
- Thinning enrollment is relatively easy the more road blocks that are put up.
- Rep. Jeskewitz stated that, “the poor may get an ego boost from holding a job even with poverty level wages.” This may help more to move out of the program.
- W-2 lacks provisions for helping clients who have skills but can’t find work for lack of jobs.
- W-2 needs some basic changes to improve the program.
  - broaden the program to target men as well as women.
  - stop assuming that the marketplace will always supply jobs and finance jobs in government and non-profit agencies for workers who cannot find regular work
  - raise the minimum wage

Despite Welfare Reform, the Poor Stay Poor (La Crosse Tribune 4/11/05):

- The W-2 program was intended to cut the welfare rolls and give people the child care and training assistance they needed to pull themselves out of poverty.
- The women and children that the program was intended to help are still in poverty.
- Only 19% of W-2 participants in 1999 had jobs that paid more than the federal poverty level which is \$15,670 for a family of three.
- One of the goals that state had for W-2 was to privatize the administration of welfare in the Milwaukee area.
- In Milwaukee, there were several private agencies that took over administration of W-2, there was a criminal kickback scandal in one agency, and a case where state money was spent by another agency trying to seek welfare reform business in other states.

- The Department of Workforce Development stated that W-2 should not be seen as the only tool in fighting poverty.
- Critics feel that the program needs to be re-worked to make lifting people out of poverty its top priority.

Audit Says W-2 Used for Paid Maternity Leave (Capitol Times 4/7/05:

- The Audit of W-2 stated that the program is increasingly being used as paid maternity leave for women who do not have fringe benefits.
- W-2 serves a large number of custodial parents of infants who are not required to work outside the home. They are eligible for grants up to \$673 until the infant is older than 12 weeks.
- The fact that W-2 can be used as paid maternity leave is an unintended consequence.
- 1997-June of 2004, W-2 agencies paid 2,500 custodial parents with infants longer than the maximum 12 weeks, resulting in a \$1.3 million in over payments.
- The Governor is proposing for the next two years to extend the time frame for participation in W-2 program for a custodial parent with an infant from 12 to 26 weeks.
- Also proposed is single, pregnant women in the third trimester with an at-risk pregnancy who meet other W-2 criteria could be eligible for \$673 in grants per month.
- The audit helped to point out several areas where management should be improved.
- W-2's goal is to help poor people achieve economic self-sufficiency through employment.
- Only 20% of W-2 participants in 1999 had jobs that paid more than the federal poverty level.
- Key items in the review included participants' achievement of economic self-sufficiency, the Department of Workforce

Development's management of the program, and the use of monetary sanctions for those who failed to meet program requirements.

- Under the old program, Aid to Families with Dependent Children, the average monthly caseloads totaled about 55,500. After the implementation of W-2, the caseload fell to 15,500 in June 2004.

W-2 Should be Showing Better Results for Clients (Appleton Post-Crescent 4/10/05):

- W-2 has done well to reduce the number of people who get financial assistance from the state but has failed when it comes to helping people escape poverty.
- The Department of Workforce Development needs to work with agencies who administer the program to improve their results and watch those agencies more closely.
- W-2 clients who left the program in late 1999 on average increase their annual income from \$8,306 to \$11,577 from the clients first year to the fourth year.
- Clients that return to the program are increasing as well. 38.6% in June 2000 were returning clients and that increased to 52.3% in June 2004.
- Both authors of W-2, Alberta Gassman and John Gard state that W-2 is supposed to be the first step out of poverty.
- Comparing W-2 to CAP Services a private non-profit who works with those who are already working:
  - its Skills Enhancement Program helps already working clients get the skills needed to get higher paying employment. In the past 10 years, those who have left this program have increased their annual income by an average of \$10,000.

WI: Welfare to Work Success Mixed, Audit Says (New York Times 4/18/05):

- WI W-2 program which was modeled after other state programs has had mixed success in helping the poor become economically self-sufficient.
- Approximately 20% of former program participants earned more than the poverty level in their first year out of the program.
- The Audit report has made several suggestions and the Department of Workforce Development has already acted on some i.e. improving financial monitoring, making program sanctions more consistent, and changing the way job placements are tracked.

Audit: WI Program Overpays Participants (New York Times 4/7/05):

- WI W-2 program has overpaid some participants and many of the former participants are still below the poverty level.
- The program has also become a way for women with out fringe benefits to receive paid maternity leave. Custodial parents with an infant who receive W-2 benefits have doubled from June 1998 to June 2004.
- 20% of former clients earned more than the poverty level the year after they left the program.
- \$1.3 million was overpaid to parents with infants who were paid beyond the maximum 12 weeks.
- Monthly expenditures varied from \$310 to \$731 per month.

Most in WI Welfare to Work Paid Poorly (Anchorage Daily News 4/7/05):

- The W-2 program was pioneered by former Governor Tommy Thompson and this helped him to gain national attention.
- Critics of the program stated that the report highlights the shortcomings of the program.
- More than half of those in the program in June 2004 had participated previously.
- Amy Stear with 9 to 5 National Association of Working Women said that people are not being prepared for sustainable jobs and that people are being pushed into the workplace.
- The W-2 program has also unintentionally become a source of paid maternity leave for women who lack fringe benefits.
- From the start of the program in 1997 until June 2004, the W-2 program has cost the state \$1.5 billion.

**Highlights of Findings from Audit of Welfare to Work Program (Duluth News Tribune 4/7/05):**

- Highlights from the report are:
  - number of custodial parents doubled between 1998 and 2004. This is mostly due to women who use the program as paid maternity leave.
  - only 20% of former clients earned more than the poverty level the first year out of the program.
  - more than half the people in the program in June 2004 had been in the program prior.
  - participants working in community service jobs, about 1/5 of them were not assigned work.
  - W-2 agencies overpaid custodial parents of infants by \$1.3 million. They paid these parents past the maximum 12 weeks.
  - the amount of money spent on participants varied from \$310 in Milwaukee County to \$731 in Racine County.



Audit Faults Wisconsin's Welfare to Work Model (boston.com news 4/8/05):

- The W-2 program has become a source of paid maternity leave.
- The number of custodial parents doubled between June 1998 and June 2004.
- Some of the suggestions made by the audit committee have already been used and the others suggestions will be used to guide them to make other changes.
- 20% of former participants earned about the poverty level the year after they left the W-2 program. This improved over time.
- 42% who left the program in 1999 earned above the poverty level in 2003.
- \$1.3 million was overpaid to custodial parents of infants who were paid past the maximum 12 weeks.
- Average monthly expenditures varied for participants from \$310 to \$731.



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## State finds evidence of race bias in W-2

### But new report sees these discrepancies easing in recent years

By STEVE SCHULTZE  
[sschultze@journalsentinel.com](mailto:sschultze@journalsentinel.com)

*Posted: Feb. 21, 2005*

A new state study details evidence of race bias in the Wisconsin Works welfare reform program, buttressing earlier similar findings.

Blacks were docked, on average, more money from monthly grants for infractions in the W-2 program than whites, according to the report. The trend was most striking in 2000 and 2001 and moderated the following two years, the report found.

The study also showed mixed evidence that Hispanics fared worse than whites in W-2; on some measures, Hispanics fared better.

The study was released Monday by the state Department of Workforce Development and was based on detailed analysis of W-2 statistics from 2000 through 2003. The study was launched in 2003 after Gov. Jim Doyle took office.

The findings show more striking race differences in the program before that.

"We are very pleased to see the disparities have declined" in recent years, said Rose Lynch, department spokeswoman.

The report lists a series of recommendations for reform of the program, including better training of W-2 workers and supervisors; better assessment of W-2 clients; and establishment of more precise guidelines to govern when clients can be penalized by having some of their payments withheld.

"We are going to take all those findings very seriously to ensure we don't have a need for a sanctions study again," Lynch said.

W-2 was launched in 1997 under former Republican Gov. Tommy G. Thompson, who dubbed it his signature accomplishment in office.

The new study's results add to a growing body of evidence of flaws in W-2. For example, a 2001 state audit found minorities more likely to face punishment in the program, as did a private study in 2003.

### Placement key

The new state report gives few clues about reasons for the racial disparity in the program's operation, though it notes, for example, that blacks were more likely to be placed in community service jobs, the W-2 category where sanctions were most common.

"There's no question that there are racial disparities" in the W-2 program, said Karyn Rotker, an American Civil Liberties Union attorney and a member of a committee that drafted the report for the state. An ACLU lawsuit alleging race bias in W-2 led to an ongoing federal civil rights probe and helped prompt the state review.

### By The Numbers

Blacks in Milwaukee County were paid \$37.61 less a month than whites in 2000 for W-2 community-service jobs.

Rotker said "implicit attitudes" rather than overt racism were likely behind the different treatment identified by the study.

"No one's accusing anyone of behaving in a racist way," she said.

She said it was significant that minorities were placed in community service jobs more frequently than whites because missing work or training sessions in that W-2 category is a common trigger for penalties.

Though the study also found race differences for clients placed in a separate W-2 category for those not yet ready for service jobs, the trend wasn't as pronounced.

The finding bolsters welfare advocates' claims that many W-2 clients have been inappropriately placed into community service jobs before they were ready. Alcohol and drug abuse or mental health problems often pose barriers that mean those clients first need other help, according to advocates.

## How sanctions work

Typically participants are docked a portion of their monthly checks if they fail to show up for training, job search or community service jobs. Clients placed in community service jobs get a flat \$673 a month, regardless of family size, if they comply with all the rules. Clients in the W-2 transitions category, for those unable to work independently due to "severe barriers" to employment, get \$628 a month.

The study, looking at averages, found:

- Blacks from Milwaukee County in community service jobs wound up with \$37.61 a month less than whites in 2000, though the disparity shrank to \$5.88 a month less for blacks by 2003. Milwaukee County Hispanics got \$19.85 a month more than whites in 2000, which dropped to an 11-cents-a-month advantage by 2003.
- Milwaukee County blacks in the less intensive W-2 transitions program wound up with \$26.49 a month less than whites in 2000, but actually were paid more than whites in 2002 and 2003. Hispanics from Milwaukee County got \$4.27 a month less than whites in 2000, but also retained more of their payments than whites in '02 and '03.
- Blacks from other counties got \$65.52 a month less than whites in 2000; Hispanics outside Milwaukee County got \$58.66 less than whites. The figures declined somewhat in more recent years, but sharp discrepancies remained.

No explanations are offered in the report for the large differences in the counties outside Milwaukee. Sandra Breitborde, the chairwoman of the committee that drafted the report, noted that there were far fewer minorities in other counties. She said more study was needed before concluding what's behind the greater race disparities outside Milwaukee County.

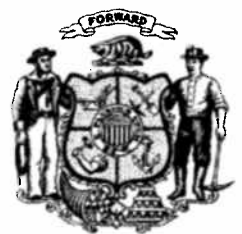
The study also examined the race issue in a slightly different way, measuring how financial penalties for program infractions were measured as a percentage of total W-2 grant amounts.

The report showed that blacks lost more on average than whites. It found mixed results for Hispanics. For example, blacks who were sanctioned lost an average of 20% of their \$673 a month community service grants in 2001 vs. 15% for Hispanics and 14% for whites.

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WISCONSIN STATE LEGISLATURE



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## Doyle to discuss W-2, child welfare

### Talk comes as agencies offer joint effort

By GEORGIA PABST  
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*Posted: March 22, 2005*

Governor Jim Doyle will discuss the idea of whether two state programs - Wisconsin Works and child welfare - should be integrated, during Wednesday's Alianza Hispanic forum.

The forum, free and open to the public, begins at 2 p.m. at the United Migrant Opportunity Services Education Center, 1644 S. 9th St. Alianza is a partnership of the leading Hispanic organizations and Milwaukee Area Technical College.

Doyle's discussion comes as two south side agencies are collaborating on a possible child welfare contract.

UMOS is one of the state's contractors for W-2 for Milwaukee's south side and recently took over part of the former Opportunities Industrialization Center's W-2 area.

La Causa Inc., which operates child care centers, a school and other family programs, holds the child welfare contract with the state for the south side area.

La Causa chief executive Hugo Cardona said the agency has formed a partnership with UMOS to submit a proposal estimated at \$11.5 million to provide child welfare services to the south side region.

Under the partnership, La Causa would provide the child-related services, while UMOS would provide the financial accounting components of the contract, according to Cardona and Rod Ritcherson, a UMOS spokesman.

Both said the partnership would benefit each agency.

Cardona denied that the partnership with UMOS was developed because of La Causa's financial and administrative problems that caused a shake-up there. The agency amassed a \$2.6 million deficit. A state audit found more than \$375,000 in state funds that were not documented. The county sought repayment of more than \$500,000 in expenses that were disallowed; that contract was not renewed.

"The agency has repaid more than \$1 million in payables, the refinancing of our debt repayment (now about \$1.9 million) has been approved, and our agency is doing the best job in the area of child welfare," he said.

Archived  
Coverage

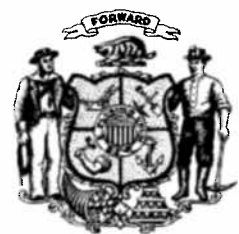


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# WISCONSIN STATE LEGISLATURE



**THE WHEELER REPORT**  
**111 W. Wilson St. #401 - Madison, WI 53703 - 608-287-0130**  
**E-mail: [wheeler@thewheelerreport.com](mailto:wheeler@thewheelerreport.com)**

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Thursday, April 7, 2005

**AUDIT OF W-2 SHOWS MIXED SUCCESS**

In an audit released today by the Legislative Audit Bureau the state's W-2 program showed mixed success. The audit focused on trends in expenditures and case-loads, achievement success in self-sufficiency, DWD's management, and funding and policy issues.

The audit showed an increase in caseloads, primarily due to an increase in working women with infants who do not receive benefits and therefore use the program "as a form of paid maternity leave". The audit also showed that while 20% of former participants were working in jobs providing wages above the poverty level, the majority did not.

The audit recommendations are: W-2 agencies improve consistency in approving and denying extensions, W-2 agencies assign appropriate types and hours of activities, ensure W-2 agencies pay correct cash benefits, DWD provide guidance to W-2 agencies on electronic filing of case files, require W-2 agencies to comply with statutory provisions relating to drug sanctions, and uniform reporting by agencies.

A link to the full audit is available at [The Wheeler Report](#) website.

**EXECUTIVE ACTION BY ASSEMBLY TRANSPORTATION COMMITTEE**

AB-95. Definitions of motor cycle and moped. *Passage recommended, 14-0.*

AB-97. Displaying the empty weight on the side of certain motor vehicles. *Passage recommended, 14-0.*

AB-112. Motor vehicle registration plates for disabled veterans. *Am. 1 adopted, 14-0. Passage as amended recommended, 14-0.*

AB-144. Designates and marks a portion of STH 19 as the Georgia O'Keeffe Memorial Highway. *Passage recommended, 14-0.*

AB-209. Designates and marks a portion of USH 14 as the Ronald Reagan Highway. *Passage recommended, 13-1.*

**INTRODUCED IN THE ASSEMBLY**

AJR-29. Declares week of April 11-15 UW Spirit Week. To Rules.

AB-297. Education tax credit (Jensen) Creates income/franchise tax credit for businesses that pay tuition for an individual to attend a college, university or technical college. To Colleges and Universities.

AB-298. Tourism promotion; room tax (Pettis) Creates definition of tourism promotion and development under the room tax. To Tourism.

AB-299. Shoreland zoning; annexations (Gunderson) Eliminates certain requirements for shoreland zoning ordinances in areas annexed by cities, villages or towns. To Natural Resources.

AB-300. Livestock transport (Hahn) Changes requirements for trailers or semi-trailers used to transport livestock. To Highway Safety.

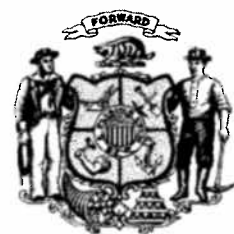
AB-301. Child sex offenders (Steinbrink) Adds additional restrictions on where certain child sex offenders may reside. To Criminal Justice and Homeland Security.

(END)





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## W-2's poor stay poor, audit finds

Most still earn poverty wages after leaving welfare program

By STEVE SCHULTZE  
[sschultze@journal sentinel.com](mailto:sschultze@journal sentinel.com)

Posted: April 7, 2005

The vast majority of poor people stay poor after going through the state's landmark welfare reform program, says a new audit released Thursday.

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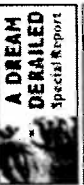
The 272-page report by the non-partisan state Legislative Audit Bureau refers to the Wisconsin Works, or W-2, program as a "mixed success." But in what is arguably the most thorough review of W-2 to date, the report presents an overall picture of a costly effort - \$1.5 billion from late 1997 through mid-2004 - with relatively meager bragging points.

W-2 Program

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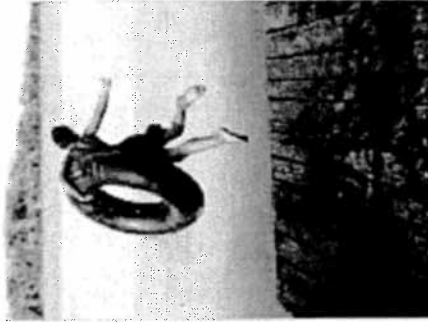


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### HOW MANY VACATION DAYS DO YOU HAVE LEFT?



"Although the W-2 program has been successful in helping some participants obtain unsubsidized employment, a substantial proportion of former participants remain in poverty," the audit report says.

W-2 grads who left the program in late 1999 earned on average just \$8,300 the first year out of the program and less than \$12,000 by the fourth year in the work world, the report found. The most common job found by former clients: working for a temporary help service.

Venez Blackmon, a 34-year-old single Milwaukee mother of an 8-year-old son, was a cashier at a retail store before an eight-month stint in and out of W-2 in 2002 and '03. She's still a cashier, now working at a local Family Dollar store. Her paychecks from there add up to about \$40 or \$50 more than the \$673 a month she got working a W-2 "community service" job as a hospital clerk.

"W-2 really wasn't a success story in my case," she said.

She entered W-2 out of desperation - she had lost a job and ran out of unemployment benefits. While appreciative of the W-2 cash, Blackmon said, she left the program after finding a job on her own.

Juda Bordeaux sees her time with W-2 in a much brighter light.



Photo/David Joles

Family Dollar cashier Venez Blackmon, a single mom of an 8-year-old and former W-2 participant, talks about the program while at work on Thursday.

### Profile of W-2 Participants



Graphic/Alfred Elicierio  
Enlarge graphic

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- W-2 Report: From Legislative Audit Bureau
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### Lower Pay for W-2 Clients

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The 39-year-old single mother of three had a high school education and a job as a nursing home cook. But after surgery on both legs in 2003, she could no longer work on her feet. W-2 trained Bordeaux to become a tax preparer during her year in the program, and that led to full-time work in that field for \$10 an hour.

"They were very, very good with me," Bordeaux said, of W-2 workers with United Migrant Opportunity Services, one of three private agencies operating the program in Milwaukee County. "If it wasn't for them, I would have been forced to go back to Idaho."

**Caseload reduced**

The W-2 program is now in its eighth year and has just a small fraction of the caseload the predecessor welfare program had. Enacted with fanfare by former Gov. Tommy G. Thompson in 1996, W-2 aimed to replace a culture of dependency with government-sponsored work incentives.

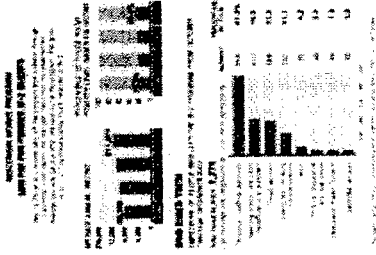
W-2's diminished caseload continues to be hailed by program backers as important proof of success. The new audit clouds that picture with evidence of little real economic progress for some of the state's poorest and inconsistent treatment of W-2 clients, including evidence that blacks were docked pay at a higher rate than whites for rules infractions.

Other shortcomings highlighted in the audit include overpayments to clients, no work or training for some clients getting checks and low marks to W-2 agencies on meeting performance standards.

Roberta Gassman, Gov. Jim Doyle's top welfare administrator, said that W-2 shouldn't be viewed as the state's only anti-poverty tool. The state is working to link W-2 clients with other programs to provide job training and advancement opportunities, she said.

"The W-2 program by itself cannot completely end poverty," she said.

Bureaucratic fixes are under way to shore up the program's



Graphic/Alfred Elicierito

Enlarge graphic

**Quotable**

“ Although the W-2 program has been successful in helping some participants...a substantial proportion of former participants remain in poverty.”

- Audit report

**By the Numbers**

**19.2:** Percent of the W-2 clients who left the program in late 1999 who earned incomes above the federal poverty level a year later.

**Archived Coverage**

shortcomings, Gassman said.

#### Key findings of the report:

Only 19% of W-2 clients who left the program in late 1999 earned incomes above the federal poverty level, \$15,670 a year for a family of three, a year later. By 2003, about 27% earned more than poverty incomes. The average income of those who left was \$8,306 after the first year and \$11,577 after four years. Even with state and federal income tax credits available to the working poor, the average income of the W-2 veterans remained well below the poverty level.

W-2 agencies mistakenly overpaid participants by \$3.2 million from 1997 to 2004, most commonly by continuing payments to non-working mothers of newborns beyond the 12 weeks allowed by state law. Gassman said she didn't know whether any of the money could be recovered, but said the sum was a tiny percentage of the overall \$1.5 billion spent on the program.

The number of hours W-2 clients worked in community service jobs dropped from 26.5 a week in 1998 to less than 18 a hours week in 2004, and 20% of the clients in that W-2 service job category had no work assignment at all in 2004.

The problem was most severe in Milwaukee, which accounts for some 80% of the state's W-2 caseload, Gassman said. Local W-2 agencies have been given "very strong directives" to better police their caseloads and make sure clients have work or training assignments, she said.

#### Mixed reviews

The report provided grist for both backers and critics of W-2.

State Rep. Suzanne Jaskewitz (R-Menomonee Falls) said the audit was "overall, a good report card" and showed W-2 had fewer problems than many had expected.

"We have to look at the positives of it," said Jaskewitz, co-chairwoman of the legislative panel that ordered the audit. Even if the W-2 grads are working poverty-wage jobs, they're no longer on the government dole and enjoy the ego boost that goes along with holding jobs, she said.



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Pamela Fendt, a welfare analyst for the University of Wisconsin-Milwaukee's Center for Economic Development, said she was stunned at the study's findings on the incomes of former W-2 clients.

Their incomes "are much worse than I expected," she said. That coupled with the program's bureaucratic woes should prompt state lawmakers to reshape W-2 to a true poverty-fighting program, she said.

The audit also notes a big surge in the caseload of new mothers, especially outside Milwaukee County, who are not involved in any work or training. Local W-2 agencies have attributed that to women leaving jobs that don't provide fringe benefits and "using W-2 as a form of paid maternity leave," the report says.

Gassman said the state would act to prevent what she termed an abuse of W-2.

The audit also found that fewer than half of participants from mid-2003 to mid-2004 were screened to determine whether they had employment barriers such as mental illness or drug addictions. Such screenings, though not mandatory if clients object, could provide important upfront information to better tailor job-training efforts, the audit says.

Client support services have varied widely from agency to agency in Milwaukee County and from county to county, the report says. In Milwaukee County, monthly costs of services to clients ranged from a low of \$310 at United Migrant Opportunity Services to a high of \$479 for clients of YW Works.

The report calls for greater oversight and consistency in the program, better efforts to curb heavier punishment of racial minorities who violate W-2 rules and more appropriate training for many clients.

In addition, the audit warns that a resurging caseload will likely mean the program will run short for the current two-year period and that local agencies will need another \$25.7 million added to the \$258.8 million previously authorized.

The month before W-2 was launched, some 35,000 families received assistance through the old Aid to Families with Dependent Children program. That dropped to less than 23,000 for W-2's start in September 1997, dipped to under 11,000 by April 2000 and crept back to more than 15,000 by mid-2004.

The audit report makes only brief reference to scandals that have brought down two large W-2 providers, both based in Milwaukee.

Opportunities Industrialization Center of Greater Milwaukee, once the largest W-2 contractor, closed its doors in February after a criminal kickback scandal and earlier audits faulted the firm for improper spending of W-2 money.

Employment Solutions Inc. closed in 2002 after the Journal Sentinel and state auditors found the Goodwill subsidiary had spent several hundred thousand dollars of W-2 money seeking welfare reform business in other states.

In addition, Maximus Inc. was faulted for improperly spending W-2 money on parties and other non-essentials.

"These problems resulted from a lack of appropriate internal controls instituted by the W-2 agencies and inadequate contract oversight" by the state, the audit says.

The state Department of Workforce Development stepped up monitoring starting last year, but even greater efforts are needed, the audit says.

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## NEWS

### Audit says W-2 not fighting poverty

00:00 am 4/08/05

Phil Brinkman Wisconsin State Journal

The state's welfare-to-work program continues to churn out inconsistently skilled workers, the majority of whom don't make it above the poverty line and end up back on public assistance, according to an audit of the program released Thursday.

The review, by the nonpartisan Legislative Audit Bureau, also noted a sharp increase in the number of women with newborns qualifying for assistance, suggesting many work in jobs that don't provide fringe benefits and are using the program as a form of paid maternity leave.

Critics of the pioneering Wisconsin Works, or W-2, which has slashed the state's welfare rolls and been copied elsewhere, said the audit points to the need to increase training and improve job placement to ensure participants succeed.

"The goal should be not only to make W-2 cost-effective for taxpayers but job-effective for participants," said Kristin Settle of the Institute for Wisconsin's Future.

W-2 took effect in September 1997. Participants receive grants up to \$673 per month based on their ability to work. In exchange, they must attend education, training or treatment programs, or work in state-subsidized jobs until they find work in the private sector.

Through 2004, the program had cost taxpayers \$1.5 billion.

But it has had mixed success in helping recipients become self-sufficient, the Audit Bureau reported. A year after leaving the program, the report said, four in five graduates were earning less than the federal poverty level, which was \$18,021 for a family of three in 2004.

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The percentage out of poverty increases slightly as more time passes after graduation, but even four years after leaving, just 42 percent of the people who graduated from the program in 1999 were earning more than that.

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June 2000 to 52.3 percent in June 2004.

Lynn Green, director of the Dane County Department of Human Services, which administers W-2 locally, said the findings were not surprising.

"Given the cutback in services, what we do is define people as employable if they're able to go out even on a minimal-paid job," Green said. "Unless we have some service money to help them get these other skills, they'll end up in these minimum-paid jobs, and if they can't advance, they'll be locked into them."

The audit found the percentage of new participants who were parents of newborns more than doubled from 18 percent in 1998 to 37.3 percent last year. W-2 agencies attributed the increase to women temporarily leaving jobs for a state-supported paid leave.

The audit also pointed to management lapses by the state agency and 52 public and private agencies that administer the program. And it found widely varying levels of service between the agencies. For example, Kenosha County spent an average of \$6 per participant on skills training, compared with \$71 in Dane County.

Roberta Gassman, secretary of the Department of Workforce Development, said she appreciated the audit

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and said the department has already begun taking some of the steps it recommended to improve the program.

She noted, however, that W-2 "is not the sole vehicle for moving families out of poverty."

"W-2 is a key step in a continuum of work force development programs and services that must help families become self-sufficient," Gassman said. "DWD's goal is to support this continuum while best serving customers and protecting public resources."

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## State audit critical of W-2 system

Most people who leave welfare remain in poverty

*The Associated Press*

MADISON — Wisconsin's welfare-to-work program, used as a model for similar efforts nationwide, has had mixed success in helping recipients become economically self-sufficient, according to an audit released Thursday.

A majority of people who have left the program have been unable to earn enough to pull themselves out of poverty, while there are a number of management problems with Wisconsin Works, or W-2, the nonpartisan Legislative Audit Bureau said.

Roberta Gassman, secretary for the Department of Workforce Development that oversees W-2, said the agency has undertaken corrective steps suggested in the audit to improve oversight of the program.

Still, she said W-2's success cannot be gauged

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solely on whether former participants have pulled themselves out of poverty. She said the program is only meant to be one piece of the path to economic self-dependence for welfare recipients.

"W-2 has to be combined with other workforce services that the state provides, and then we can help people who may start out in low-wage jobs become economically self-sufficient."

W-2 was launched statewide in 1997 to replace the existing welfare system with a program to help recipients achieve economic self-sufficiency through employment. The federal government held up the program as an example for other states trying to overhaul their welfare programs.

Critics of the program said Thursday's report highlights some of its shortcomings. More than half of the people in the program in June had previously been on the W-2 rolls, left for a job and then came back for more help.

Amy Stear, Wisconsin organizing director for the 9to5 National Association of Working Women, said that suggests people are not being prepared for a sustainable job.

"They are simply being pushed into the workforce," Stear said.

Assembly Speaker John Gard, R-Peshtigo, one of the authors of W-2, said the program is working exactly as it was intended, though he believes there should be some changes to improve management.

W-2 replaced Aid to Families with Dependent Children, which Gard said fostered a cycle of dependency. The old program rewarded those who



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stayed poor and did not seek work by continuing their benefits indefinitely, Gard said.

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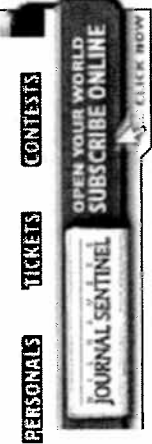




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## W-2 has failed to lift families from poverty

Posted: April 9, 2005



Does Wisconsin Works work?

A new review dubs it a mixed success. The evaluators were too polite.

After all, the program's stated goal was to help families "achieve economic self-sufficiency through employment," as the Legislative Audit Bureau notes in its report.

**Gregory Stanford**  
E-MAIL | ARCHIVE

Yet just a fifth of the program's grads, mostly moms, went on to jobs that paid above the poverty level. Defenders of W-2 might latch onto that fifth as proof of some success.

But wasn't Gov. Tommy Thompson's W-2 supposed to be a revolutionary improvement over Aid to Families with Dependent Children, under which, quiet as it was kept, a share of moms went on to jobs that paid above the poverty level? In other words, W-2 doesn't seem to be lifting families out of poverty much better than did AFDC - which makes the newer program a flop.

Advertisement Of course, the success of a program hinges on what's being



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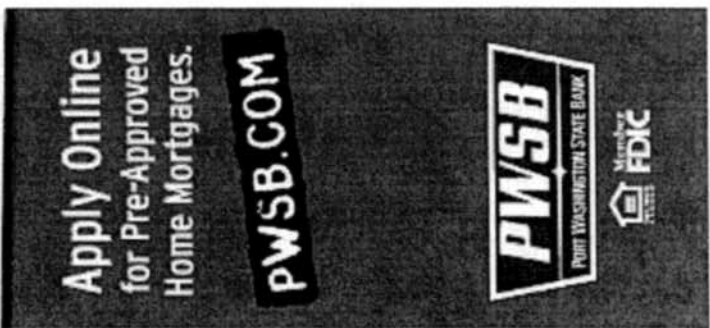
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measured. Defenders of W-2 like to focus on the size of the caseload. Indeed, had the goal been merely to reduce the number of clients, W-2 was a smashing success.

The clientele dropped from 35,000 families statewide near the end of AFDC to 23,000 at W-2's start in September 1997, then to 11,000 in April 2000.

That measure misses the mark for three reasons, however:

- The economy roared in the late 1990s (under President Clinton), accounting for some of the reduction of families in the program. In contrast, jobs have been harder to come by this decade (under President Bush). Accordingly, the state's W-2 caseload shot back up to 15,000 by last June. If the falling caseload meant that the program was succeeding, does the rising caseload mean it's now failing?

- Thinning enrollment is just too easy, regardless of the economy. Simply throw up more hurdles to applying. Keep in mind that, under AFDC, poor kids were entitled to relief - the one entitlement that Congress did zap. Thus, the federal Temporary Assistance for Needy Families, which finances W-2, is discretionary. The change makes it legally easier for states to discourage families from applying or to turn down their applications.

- While rapid shrinkage in clientele may save public funds in the short run, it means, without a corresponding shrinkage in the ranks of poor kids, much expensive trouble for the state in the long term, in the form of higher public costs for remedial education, for crime, for social services.

State Rep. Suzanne Jeskewitz, a Menomonee Falls Republican, believes that W-2 clients get an ego boost from holding jobs even begging, borrowing and stealing to supplement low wages to make ends meet share that opinion, however.

with poverty wages and, thus, feel better than did AFDC recipients. I'm not so sure moms

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W-2, along with Temporary Assistance for Needy Families, was a success in a way not measured by the Legislative Audit Bureau. The new program offed the "welfare queen." Though just a figment of the imagination, the steak-buying, Cadillac-driving monarch hampered aid to the poor and lost elections for Democrats.

The widely hated AFDC had to give way to a job-oriented program. But the reformers split into two camps - one believing that unemployment stemmed from defects in people, the other believing it stemmed from defects in the system. The former camp won out - the reason W-2 is not doing much better than AFDC in fighting poverty.

Most glaringly, W-2 lacks provisions for helping clients who boast skills but can't find work for lack of jobs. The program pretends that jobs are *always* in ample supply and skills in short supply.

W-2 could better live up to its promise, with some basic changes. Among them:

- Broaden the program to target men as well as women. The most typical W-2 client is a single black mom, according to the report. Here, again, W-2 is repeating an AFDC mistake and failing to support the two-parent family. The absence of black men from the workplace helps to explain their absence from the family. The corollary: Putting men into decent-paying jobs would shore up the black family.
- Stop pretending the marketplace will always supply jobs and finance jobs in government and non-profit agencies for workers who can't find regular work. The jobs mustn't be make-work. Rather, they must fulfill important needs, such as neighborhood patrols, clerical work at agencies doing good deeds, community cleanups.
- Raise the minimum wage. Work at the bottom end of the pay scale must become as rewarding as it once was.

A better designed Wisconsin Works would work.

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## OUR VIEWS

### W-2 should be showing better results for clients

Wisconsin's W-2 program has done a good job in reducing the number of people who get financial help from the state. But it hasn't done a good job in helping those people escape poverty.

Considering the state spends a couple hundred million dollars a year on the program, we should be seeing better results for the money.

A report by the non-partisan Legislative Audit Bureau said, "W-2's success in helping participants achieve economic self-sufficiency has been mixed."

The state Department of Workforce Development, which oversees the program, needs to work with agencies administering W-2 to improve their results and it needs to watch those agencies more closely.

W-2, officially called Wisconsin Works, began in 1997. It has been successful in reducing its caseload from about 23,000 at its start to less than 11,000 in 2000, although it had risen to more than 15,000 last summer and is expected to grow.

But many of its "graduates" have remained in poverty. According to the audit, W-2 clients who left the program in late 1999 on average only increased their annual income from \$8,306 to \$11,577 from the first year after they left to the fourth year. Even with tax credits, more than half are below the federal poverty level.

The percentage of people who leave W-2 but later return is increasing, too. Returnees made up 38.6 percent of all participants in June 2000, but 52.3 percent in June 2004.

DWD Secretary Roberta Gassman and Assembly Speaker John Gard, who co-authored the law, point out that W-2 is meant to be just the first step in a client's path out of poverty. That's true, but the step now taken is pretty small and frequently is one step forward and one step back.

Compare W-2's performance to that of CAP Services, which is a private, nonprofit organization that offers help for low-income people in several area counties.

Its Skills Enhancement Program helps already-working clients get the skills needed to get higher-paying jobs. In the last 10 years, those who have left the program have increased their annual income by an average of more than \$10,000.

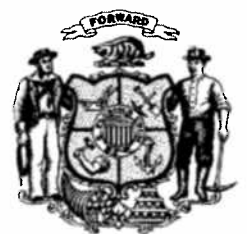
Granted, CAP Services deals with those already working, but the income difference is striking. At the very least, W-2 needs to be more closely connected with "next-step" organizations such as CAP Services to help clients succeed past \$10,000-a-year jobs or, worse, recycling back into W-2.

Headlines from Milwaukee in the past year show the obvious need for better oversight of private agencies with W-2 contracts. So that's one job for the DWD. But it also needs to find a way for responsible agencies administering W-2 to do a better job.





# WISCONSIN STATE LEGISLATURE



## Combine W-2 with family skills

Over 30 years of experience in human services and poverty programs gives one a perspective on which programs work and which don't. The critics of W-2 suggest re-creating unsuccessful strategies such as skills training programs for people who've already failed in the public school system. Proponents of the existing system seem to abandon the poor once off the dole.

Counties run W-2 in most of the state. The most successful programs combine human services with W-2 to help people organize their lives around work and encourage participation in the mainstream economy. The answer is for counties to get even better at combining prevention and family strengthening skills with W-2. We have done this in Grant County, but we may not be able to continue because of a severe lack of funds for services to families.

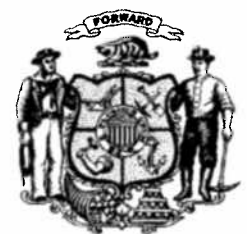
We can offer a message of hope to struggling families if we all pull together to help them develop the relationship skills that have atrophied over generations.

— Jon D. Angeli, director,  
Grant County Social  
Services, Lancaster

WSJ 4-11-05



# WISCONSIN STATE LEGISLATURE





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Our view: Despite welfare reform, the poor stay poor

By Tribune editorial staff

In 1996, then-Gov. Tommy Thompson announced a bold new welfare reform effort for Wisconsin.

Dubbed W-2 (short for "Wisconsin Works"), the new work-based welfare reform effort was intended to slash the welfare rolls and give people the child care and training assistance they needed to pull themselves out of poverty.

Nine years later, the welfare rolls are a tiny fraction of what they were in the mid-1990s. But the women and children the program was intended to lift out of poverty are mostly still there.

An extensive study by the Legislative Audit Bureau recently showed that despite the \$1.5 billion that the state has paid for the welfare reform program from late 1997 through mid-2004, only 19 percent of W-2 participants in 1999 ended up in jobs that paid more than the federal poverty level of \$15,670 for a family of three.

By 2003, that number had risen to 27 percent. The average income of former W-2 participants was \$8,306 after the first year and \$11,577 after four years.

That's not an impressive record. Add to that the administrative problems that have been experienced in the Milwaukee area (where 80 percent of the W-2 caseload was).

One of the things the state wanted to do with W-2 was privatize the administration of welfare in the Milwaukee area. Most other counties were allowed to run their own programs.

In Milwaukee, where several private agencies took over administration of W-2, there was a criminal kickback scandal in one agency, and a case where state money was spent by another agency trying to seek welfare reform business in other states. But the worst of it all is the dismal record on fighting poverty. Department of Work Force Development officials say W-2 should not be seen as the only poverty-fighting agency, but critics contend that the program should be reworked to make lifting people out of poverty its top priority.

One problem with dealing with W-2 failures now, however, is that the state economy is not flush as it was in the mid-1990s, and state coffers have deficits, not surpluses as they had in the 1990s.

One legislator, Rep. Suzanne Jeskewitz, R-Menomonee Falls, told the Milwaukee Journal Sentinel that the positive side of all of this is that even though people are still in poverty, they are no longer on the dole.

But that shouldn't be a high enough standard for a program that was proclaimed with such hope when it was initiated.

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