



Legislative Fiscal Bureau

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February 8, 2018

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 422 and Senate Bill 338: Create Hire Heroes Program

Assembly Bill 422 (AB 422) was introduced on June 30, 2017, and was referred to the Assembly Committee on Workforce Development. On October 24, 2017, the Assembly Committee on Workforce Development recommended adoption of Assembly Amendments 1 and 2 (AA 1 and AA 2) by a vote of 14 to 0, and passage as amended by a vote of 14 to 0. On November 9, 2017, the Assembly passed AB 422 as amended, by a vote of 93 to 0, and messaged the bill to the Senate. On January 19, 2018, the Senate referred AB 422 to the Joint Committee on Finance.

Senate Bill 338 (SB 338) was introduced on July 13, 2017, and was referred to the Senate Committee on Transportation and Veterans Affairs. On October 24, 2017, the Senate Committee on Transportation and Veterans Affairs recommended adoption of Senate Amendments 1 and 2 (SA 1 and SA 2) by a vote of 5 to 0, and passage as amended by a vote of 5 to 0. On January 19, 2018, the Senate referred SB 338 to the Joint Committee on Finance.

AB 422, as amended by AA 1 and AA 2, and SB 338, as amended by SA 1 and SA 2, are identical.

CURRENT LAW

The Department of Workforce Development (DWD) is appropriated GPR funding for certain workforce development grant programs, including the "Fast Forward" workforce training grant program. DWD is also appropriated GPR funding for the administration of these grant programs.

DWD's federal workforce investment and assistance appropriation is annually allotted federal Workforce Innovation and Opportunity Act (WIOA) formula funding to support the Department's implementation of WIOA as the state's federally-designated workforce agency. WIOA funds credited to this appropriation are distributed by DWD to local workforce development boards, one-stop job centers and eligible training providers. WIOA funds that are not

required to be distributed to local boards are retained by DWD to be used to carry out additional statewide employment and training activities.

The Transform Milwaukee program, which was created under 2013 Act 20 and took effect on July 1, 2013, provides employers in the City of Milwaukee with financial subsidies if they hire eligible low-income individuals. 2013 Act 113 authorized the Department of Children and Families (DCF) to establish a similar program referred to as Transitional Jobs in areas outside Milwaukee, to the extent funding is available. DCF must give priority to areas having relatively high rates of unemployment and childhood poverty and other areas with special needs that DCF determines should be given priority. The same eligibility and program requirements apply to both programs.

DCF has contracted with three entities to administer the Transitional Jobs program locally in four geographic regions: (a) Community Action, Inc. in the Urban Southwest Region (Beloit); (b) UMOS, Inc. in the Rural Northeast Region (Forest, Langlade, Menominee, and Florence Counties) and the Urban Southeast Region (Racine county); and (c) the Northwest Wisconsin Concentrated Employment Program, Inc. in the Rural Northwest Region (Ashland, Bayfield, Iron, Sawyer, Rusk, and Taylor counties). Generally, the local agencies will take applications from participants in these areas and match them with employers.

To be eligible to participate in the Transitional Jobs program, an individual must: (a) be at least 18 years of age; (b) if older than 24 years of age, be a parent of a child under age 18 or be a relative and primary caregiver of a child under age 18; (c) have an annual household income below 150% of the federal poverty level; (d) be unemployed for at least four weeks; (e) be ineligible to receive unemployment insurance benefits; (f) not be participating in a Wisconsin Works employment position; and (g) comply with drug screening, testing, and treatment requirements.

2015 Act 55 provided substance abuse screening, testing, and treatment as an eligibility requirement for Transitional Jobs. All new participants are required to complete a questionnaire that screens for the abuse of a controlled substance. Based on the answers to the questionnaire, if DCF (or the agency with which DCF has contracted to administer a work program) determines that there is a reasonable suspicion that a participant who is otherwise eligible is abusing a controlled substance, the participant must undergo a test for the use of a controlled substance in order to remain eligible. If the test is negative for the use of a controlled substance, the applicant will remain eligible to participate. If the applicant refuses to submit to a test, the applicant will not be eligible until the applicant complies with the requirement to undergo a test for the use of a controlled substance. If the test is positive for use of a controlled substance without a valid prescription, then the applicant must participate in substance abuse treatment to remain eligible and submit to further random drug testing.

SUMMARY OF BILL

The bill would require DWD to establish a "Hire Heroes" program to provide transitional jobs to veterans of the U.S. Armed Forces who have been unemployed for at least four weeks. DWD would be required to allocate \$400,000 annually to reimburse an employer that employs an

individual participating in the program, for certain costs attributable to employment of the individual. The program would include the following components.

Funding. The bill would direct DWD to allocate not more than \$400,000 GPR in each fiscal year from the Department's workforce training (Fast Forward) grants appropriation for the Hire Heroes program and authorize expenditures from the Department's GPR workforce training administration appropriation for the administration of the Hire Heroes program. The bill, as amended by AA 1 and SA 1, would delete the use of the GPR appropriations, and would instead direct DWD to allocate not more than \$400,000 in each fiscal year from DWD's federal workforce investment and assistance appropriation for the Hire Heroes program.

Eligibility. To participate in the program, an individual would have to satisfy all of the following criteria: (a) be at least 18 years old; (b) be a veteran who is verified by the Department of Veteran Affairs (DVA); (c) be ineligible to participate in the Wisconsin Works program administered by DCF under s. 49.141 through s. 49.161; (d) be unemployed for at least four weeks; and (e) satisfy the requirements related to substance abuse screening, testing and treatment under s. 49.162 of the statutes that apply to the individual. For the purposes of the bill, the criteria used to determine if a person is a qualifying veteran would be the same as those used for veterans benefit programs administered by DVA.

There are several eligibility requirements to participate in Wisconsin Works, including an asset limitation of \$2,500, an income limitation of 115% of the federal poverty line, a requirement to be either a custodial or noncustodial parent, a lifetime participation limit of 48-months for employment positions, and other requirements. Under the bill, if an individual does not meet the eligibility requirements to participate in Wisconsin Works, and meets the other eligibility requirements described above, he or she could participate in the Hire Heroes program.

Program Components. An individual could participate in the program for a maximum of 1,040 hours actually worked. The employer would have to pay the individual not less than the applicable federal or state minimum wage. The employer would be authorized to pay the individual an amount greater than the minimum wage.

DWD would be authorized to reimburse an employer that employs an individual participating in the program for a minimum of 20 hours per week at a location in Wisconsin for any of the following costs attributable to the employment of the individual: (a) a wage subsidy equal to an amount negotiated between DWD and the employer, that is paid for each hour the individual actually worked, not to exceed 40 hours per week, and that is not more than the applicable federal or state minimum wage; (b) federal social security and Medicare taxes; (c) state and federal unemployment insurance contributions or taxes, if any; and (d) worker's compensation insurance premiums, if any.

The bill would prohibit the employment of a participating individual if such employment would: (a) have the effect of filling a vacancy created by an employer terminating a regular employee or otherwise reducing its work force for the purpose of hiring an individual under the Hire Heroes program; (b) fill a position when any other person is on layoff or strike from the

same or a substantially equivalent job within the same organizational unit; and (c) fill a position when any other person is engaged in a labor dispute regarding the same or a substantially equivalent job within the same organizational unit.

Memorandum of Understanding for Administration. The bill would direct DCF, DVA and DWD to enter into a memorandum of understanding (MOU) for the purpose of administering the program. The MOU must include all of the following requirements: (a) that DVA refer veterans to the program and verify eligible veterans who apply for the program; (b) that DWD allocate not more than \$400,000 each fiscal year from the GPR Fast Forward workforce training appropriation for the purposes of funding the Hire Heroes program (changed to the federal workforce investment and assistance appropriation under Amendment 1); (c) that DWD be responsible for administering the program; (d) that DCF, DVA and DWD each seek additional federal funds to support the program; and (e) that DCF, DVA and DWD, to the greatest extent possible, implement the program to achieve all of the following: (1) minimize administrative costs by using existing contractors and other arrangements made by DCF in the administration of the Transform Milwaukee Jobs and Transitional Jobs programs; (2) coordinate any future expansion of the Transform Milwaukee Jobs and Transitional Jobs programs with any future expansion of the Hire Heroes program; and (3) address the most urgent needs of the state's unemployed veterans.

Other Requirements. The bill would authorize DWD to recover from any individual who is participating, or who has participated, in the Hire Heroes program, any overpayment resulting from a misrepresentation by the individual regarding any eligibility criterion.

The bill would authorize DWD to promulgate administrative rules to implement the program.

DWD would be required to prepare an annual report on the Hire Heroes program, beginning in 2018, no later than December 31, and submit the report to the Governor, the appropriate standing committees of the Legislature, DCF, and DVA. DWD would be required to include the following information about the program in the annual report: (a) the cost of the program; (b) the number of applicants; (c) the number of placements; (d) the outcomes of the placements, including whether a veteran continued with the employer in an unsubsidized position, secured other unsubsidized employment, or did not secure an unsubsidized position after participation in the program and why, and what the post-program earnings of participants are; and (e) opportunities and suggestions for expansion and improvement of the program.

AMENDMENT 1

AA 1 and SA 1 would change the source of funding for the program from GPR to federal workforce investment and assistance funds received by DWD.

AMENDMENT 2

AA 2 and SA 2 would add an eligibility requirement to specify that a veteran must submit an

application to the program no later than seven years after the date of discharge from military service.

FISCAL EFFECT

Under the bill, as amended, DWD would be required to allocate not more than \$400,000 each fiscal year from the Department's federal workforce investment and assistance appropriation. This appropriation includes numerous federal funding sources, including the state's annual federal WIOA allocation. According to DWD, WIOA funding would be the anticipated source of the benefits payments as specified under the bill. DWD's Division of Employment and Training distributes WIOA funds to the state's workforce development boards with a portion of these funds retained by DWD. For 2017-18, the amount retained by DWD was equal to \$5,261,300. In addition, for each year DWD receives a WIOA formula based allotment, the Department may carry forward unspent balances from the previous two years. DWD has estimated that \$7,758,400 would carry forward into 2017-18 from previous years. After an estimated \$4,700,00 in expenses for existing projects, the Department estimates a 2017-18 year-end WIOA balance of \$8,319,700, or the sum of the allotment plus the "carry-forward" balance minus expenses. Assuming no changes to the federal allocation, DWD estimates that the 2018-19 year-end WIOA balance would \$7,580,600.

According to the DWD, the Hire Heroes program could start enrolling eligible veterans by July 1, 2018. During the first year of program operation in 2018-19, DWD estimates it would enroll 40 veterans at a cost of \$10,000 per enrollee, for a total program cost of \$400,000. Assuming that the Hire Heroes program is able to expend the full \$400,000 allocation in 2018-19, the Department's WIOA fund balance would be \$7,180,600 by the end of 2018-19.

Regarding the program's eligibility requirement related to substance abuse screening, testing and treatment, the fiscal note from DCF states that testing could cost up to \$1,000 annually. Further, DCF indicates that, if program participants do not have some other type of medical coverage, if participants require treatment, and if DCF is responsible for treatment costs, the fiscal effect would increase substantially.

Prepared by: Ryan Horton