



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #851

Temporary Assistance for Needy Families (TANF)

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

[LFB 2005-07 Budget Summary: Page 552, #6, #7, and #8]

CURRENT LAW

The Department of Workforce Development (DWD) is authorized to contract with any person to implement the Wisconsin Works (W-2) program. As of May 1, 2005, W-2 is administered at the local level as follows: (a) 50 counties are served by county human/social services agencies; (b) 21 counties outside of Milwaukee County are served by non-county agencies; and (c) three agencies cover six regions in Milwaukee County. There are three for-profit W-2 agencies: MAXIMUS in Milwaukee County; Affiliated Computer Services in Waukesha County; and Kaiser Group in Walworth County. All other non-county agencies are non-profit organizations. Eight tribes operate separate state programs as allowed under federal law.

The current W-2 agency contracts run from January 1, 2004, through December 31, 2005, and include funding for W-2 employment benefits, program services, and administration. W-2 employment benefit funding is used for monthly grants and employer subsidies paid under subsidized W-2 employment positions and caretaker of newborn infant (CNI) grants. Program services funds are used to provide services such as case management, job training, job readiness, motivation, education, and social services. Funds for administration are generally used for costs related to operating the W-2 program, but not directly related to services delivery, such as rent, salaries and fringe benefits for program managers, and other administrative overhead.

The contract allocations under 2003 Act 33 (the 2003-05 biennial budget) for the current (2004-2005) W-2 agency contracts assumed \$132.9 million in employment benefits, \$111.2 million in services funds, and \$42.3 million for administration. Act 33 included funding for the first 18 months of the current contracts, or \$99.7 million in benefits, \$83.4 million in services,

and \$31.7 million for administration, with the assumption that the remaining six months (\$33.2 million in benefits, \$27.8 million in services, and \$10.6 million for administration) would be budgeted in 2005-06.

GOVERNOR

Based on the Governor's estimate of a monthly cash benefit caseload of 7,500 during the 2006-2007 W-2 agency contract period, reduce benefits, services, and administration funding for the W-2 agency contracts as follows:

W-2 Benefits. Reduce funding for W-2 subsidized employment benefits and CNI grants by \$7,254,700 in 2005-06 and \$14,509,400 in 2006-07. Funding would total \$59,184,700 in 2005-06 and \$51,930,000 in 2006-07. These amounts do not include any increase that may result from extending CNI grants from 12 weeks to 26 weeks, from extending grants to pregnant women who are in their third trimester of an at-risk pregnancy, or from implementing a trial jobs plus pilot project. Base funding for cash benefits is \$66,439,400. [Provisions relating to the proposed extension of CNI grants, grants to pregnant women, and the trial jobs plus pilot project are discussed in Papers #852, #853, and #854.]

The 2005-06 statutory allocation for W-2 benefits under the bill, including grants to pregnant women, would include \$33,219,700 for the last six months of the 2004-2005 W-2 agency contracts and \$26,306,400 for the first six months of the 2006-2007 W-2 agency contracts. The benefit allocation in 2006-07 would total \$52,612,800 for the next 12 months of the 2006-2007 W-2 agency contracts. Funding for the final six months of the 2006-2007 contracts would be included in the 2007-09 biennial budget.

W-2 Services. Reduce funding for services for W-2 participants by \$6,071,800 in 2005-06 and \$12,143,600 in 2006-07. Funding would total \$49,534,800 in 2005-06 and \$43,463,000 in 2006-07. These amounts do not include any increase that may result from extending services to pregnant women who are in their third trimester of an at-risk pregnancy. Base funding for services is \$55,606,600. [Provisions related to extending services to pregnant women are discussed in Paper #853.]

The 2005-06 statutory allocation for W-2 services under the bill, including services to pregnant women, would include \$27,803,300 for the last six months of the 2004-2005 W-2 agency contracts and \$22,075,900 for the first six months of the 2006-2007 W-2 agency contracts. The services allocation in 2006-07 would total \$44,151,800 for the next 12 months of the 2006-2007 contracts. Funding for the final six months of the 2006-2007 contracts would be included in the 2007-09 biennial budget.

W-2 Administration. Reduce funding for administration for W-2 agencies by \$1,058,200 in 2005-06 and \$2,116,500 in 2006-07. Funding would total \$20,107,500 in 2005-06 and \$19,049,200 in 2006-07. Base funding for administration is \$21,165,700.

The 2005-06 statutory allocation for W-2 administration under the bill would include \$10,582,900 for the last six months of the 2004-2005 W-2 agency contracts and \$9,524,600 for the first six months of the 2006-2007 W-2 agency contracts. The administration allocation in 2006-07 would total \$19,049,200 for the next 12 months of the 2006-2007 contracts. Funding for the final six months of the 2006-2007 contracts would be included in the 2007-09 biennial budget.

The Governor's proposals to extend CNI grants, provide cash benefits to pregnant women, and implement a trial jobs plus pilot project are addressed in Papers #852, #853, and #854.

DISCUSSION POINTS

1. The current W-2 agency contracts include funding for benefits, services, and administration of \$71,605,900 for the last six months of the contract term (July through December, 2005). The bill would provide funding to support the remainder of the 2004-2005 W-2 agency contracts at this level. However, the bill would reduce funding for benefits and services during the 2006-2007 contract period by 21.8% from the 2004-2005 contract period. The bill would further reduce funding for administration during the 2006-2007 contract period by 10% from the 2004-2005 contract period. AB 100 provides \$171,663,300 for the first 18 months of the 2006-2007 W-2 agency contracts.

2004-2005 W-2 AGENCY CONTRACTS

Benefits

2. Base funding for W-2 cash benefits is \$66,439,400. Based on the 2004-2005 W-2 agency contract funding allocated under 2003 Act 33, funding for benefits for the last six months of the contracts would total \$33,219,700. The bill would provide funding for cash benefits of \$33,219,700 for the remaining six months of the 2004-2005 contracts to reflect the funding level anticipated under Act 33. The funding includes \$27,234,000 for cash benefits under paid W-2 employment positions and \$5,985,700 for CNI grants.

3. W-2 cash benefit caseloads have decreased during the current W-2 agency contract period by 16.2%, from January, 2004, to February, 2005. Table 1 below compares the W-2 cash benefit caseload in January, 2004, with the caseload in February, 2005.

TABLE 1

**Comparison of W-2 Cash Benefit Caseload
January, 2004, vs. February, 2005**

	<u>January, 2004</u>	<u>February, 2005</u>	<u>% Decrease</u>
Paid W-2 Employment Cases	10,663	8,735	-18.1%
Caretaker of Newborn Infant Grant Cases	<u>1,407</u>	<u>1,381</u>	- 1.8
Total	12,070	10,116	-16.2%

4. Under Act 33, the W-2 cash benefit amount for W-2 employment positions (excluding CNI grants) assumes an average W-2 subsidized employment caseload of 8,900 per month with an average benefit level of \$510 per month for the last six months of the 2004-2005 agency contracts. The assumed caseload for CNI grants is 1,482 per month at the CNI grant level of \$673 per month.

5. The average W-2 benefit paid to persons in W-2 employment positions from the period November, 2004, through January, 2005, was \$585.80 per month. The average CNI caseload from July, 2004, through February, 2005, based on actual CNI benefit expenditures, was 1,183. Based on these averages and a W-2 subsidized employment caseload of 8,900, an additional \$2,839,000 would be required in 2005-06 to fully fund the remaining six months of the 2004-2005 W-2 agency benefit contracts (Alternative A2).

6. However, the W-2 subsidized employment caseload has been declining. The caseload during the 2004-2005 contract period peaked in June, 2004, at 11,138 and has been declining every month, with a caseload of 8,735 in February, 2005. As a result, the Committee may wish to fund the remaining six months at the level provided under AB 100 (Alternative A1).

7. On the other hand, since January, 2004, the caseload has been declining at a rate of 1.52% per month. Assuming this rate of decline continues, the average monthly caseload during the last six months of the 2004-2005 contracts would be 7,788. With a CNI caseload of 1,183, funding could be reduced by \$1,069,500 to fully fund the remaining six months of the 2004-2005 W-2 agency contracts (Alternative A3).

8. Funding for the 2004-2005 W-2 agency contracts represents a 9% reduction from the 2002-2003 W-2 agency contracts. In addition, AB 100 reduces funding for the 2006-2007 W-2 agency contracts by 21.8% from the current contracts. Also, while retaining the statutory allocation and authority for performance bonuses, the bill would not allocate any funding for W-2 agency bonuses for the 2004-2005 W-2 agency contracts. Therefore, the Committee may not wish to reduce benefits funding for the last six months of the 2004-2005 W-2 agency contracts.

Services

9. Base funding for W-2 services is \$55,606,600. Based on the 2004-2005 W-2 agency contract funding allocated under 2003 Act 33, funding for services for the last six months of the contracts would total \$27,803,300. The bill would provide funding for services of \$27,803,300 for the remaining six months of the 2004-2005 contracts to reflect the funding level anticipated under Act 33.

10. During the current contract period, statewide spending for W-2 services is running under the allocation amounts. Based on expenditures through January, 2005, the average monthly amount of expenditures for services is \$4,446,200. The Committee could reduce funding for services for the last six months of the 2004-2005 W-2 agency contracts by \$1,125,900 in 2005-06 to reflect average expenditures for services during the first 13 months of the 2004-2005 contracts (Alternative A5).

11. However, funding for the 2004-2005 W-2 agency contracts was reduced by 9% from the 2002-2003 W-2 agency contracts, AB 100 would reduce funding for benefits and services under the 2006-2007 W-2 agency contracts by another 21.8%, and there is no performance bonus funding for the 2004-2005 W-2 agency contracts. In addition, any underspending in services may be used to offset any increases in benefit costs. Therefore, the Committee may not wish to reduce funding for services for the last six months of the 2004-2005 W-2 agency contracts (Alternative A4).

Administration

12. Base funding for W-2 local administration is \$21,165,700. Based on the 2004-2005 W-2 agency contract funding allocated under 2003 Act 33, funding for administration for the last six months of the contracts would total \$10,582,900. The bill would provide funding for services of \$10,582,900 for the remaining six months of the 2004-2005 contracts to reflect the funding level anticipated under Act 33.

13. During the current contract period, statewide spending for W-2 administration is running under the allocation amounts. Based on expenditures through January, 2005, the average monthly amount of expenditures for administration is \$1,235,100. The Committee could reduce funding for administration for the last six months of the 2004-2005 W-2 agency contracts by \$3,172,500 in 2005-06 to reflect average expenditures for services during the first 13 months of the 2004-2005 contracts (Alternative A7).

14. However, any underspending in administration may be used to offset increases in either benefits or services. Therefore, the Committee may not wish to reduce funding for services for the last six months of the 2004-2005 W-2 agency contracts (Alternative A6).

2006-2007 W-2 AGENCY CONTRACTS

Benefits

15. AB 100 would allocate \$25,965,000 in 2005-06 and \$51,930,000 in 2006-07 for W-2 cash benefits for the next round of W-2 contracts running from January 1, 2006, through December 31, 2007 (Alternative B1). This would be provided as follows: (a) \$3,634,200 in 2005-06 and \$7,268,400 in 2006-07 would be for cash grants paid to caretakers of newborn infants under current law; and (b) \$22,330,800 in 2005-06 and \$44,661,600 in 2006-07 would be provided for W-2 cash benefits for persons in paid W-2 employment positions.

16. No additional funding is provided to extend cash grants paid to caretakers of newborn infants from 12 weeks to 26 weeks or for the trial jobs plus demonstration project under the 2006-2007 W-2 agency contracts. [These issues are addressed in Papers #852 and #854.] These proposals are intended to be funded within the amounts allocated under the bill for the 2006-2007 W-2 agency contracts.

17. As noted, the W-2 cash benefit caseload has been declining. The administration attributes the declining caseload to quicker up-front attachment to the workforce and to the improving economy. AB 100 assumes the subsidized W-2 employment caseload would decline to 6,600 per month, a 24.4% decrease compared to the monthly caseload of 8,735 for February, 2005. The bill also assumes an average monthly CNI caseload of 900, a decrease of 23.9% from the monthly average of 1,183 cases for July, 2004, through February, 2005.

18. Under current law, caretakers of newborn infants less than 12 weeks old are eligible for a monthly grant of \$673. Persons in a community service job (CSJ) are also eligible to receive a monthly grant of \$673. Employers of persons in a trial job are eligible to receive reimbursement of up to \$300 per month to offset the cost of the person's wages. Persons in a transitional placement are eligible to receive a monthly grant of \$628. These amounts are maximum amounts; the actual benefits paid are generally less than the maximum, because persons participate on a part-time basis, or may be sanctioned for not fulfilling participation requirements.

19. Under AB 100, the assumed monthly average cash benefit for persons in W-2 paid employment positions is \$564 (excluding CNI grants). This was based on the average monthly payments for July, 2004, through November, 2004. The actual average benefit level has increased over the last several months, with an average amount for W-2 paid employment positions (excluding CNI grants) for the period November, 2004, through January, 2005, of \$585.80 per month.

20. Based on the current average grant level of \$585.80 per month for November, 2004, through January, 2005, the amount of funding provided under the bill for W-2 cash benefits would fund 6,353 paid W-2 employment cases per month over the contract period. This would be a reduction of 27.3% to the caseload of 8,735 in February, 2005. It is possible that, given predictions of the economy improving and the increased up-front efforts to attach W-2 participants to the

workforce, W-2 caseloads could continue to decline over the biennium. Therefore, the funding provided for the first 18 months of the next W-2 agency contracts could be sufficient to fund the W-2 benefit caseloads (Alternative B1).

21. However, the subsidized W-2 employment caseload has not been below 6,600 since July, 2001. In addition, some W-2 agencies indicate that the up-front attachment policies are as successful as they will be. Much of the remaining caseload outside of Milwaukee County consists of CNI grant recipients and transitional placements, which are not affected by policies to attach W-2 recipients to the workforce. Therefore, these agencies do not believe the cash benefit caseload can decrease much further from the caseload of 8,735 in February, 2005. In addition, W-2 agencies have no control over the CNI caseload. According to the W-2 manual, W-2 agencies must provide benefits to custodial parents who qualify for CNI grants. If the average W-2 employment caseload were to remain at the February, 2005, caseload of 8,735 per month over the biennium, and assuming the current monthly benefit level of \$585.80 and a CNI caseload of 1,183, an additional \$9,513,800 in 2005-06 and \$19,027,500 in 2006-07 would be required to fully fund the first 18 months of the 2006-2007 W-2 contracts (Alternative B2).

22. On the other hand, with anticipated improvement in the economy, it is possible that there would be some decrease in the growth rate and leveling off of the subsidized W-2 employment caseload over the first 18 months of the next contract period. Therefore, DOA's assumption of 6,600 subsidized W-2 employment cases could be realistic. If the current average monthly benefit level of \$585.80 per month were applied to the 6,600 cases per month assumed under the bill, and with a CNI caseload of 1,183, an additional \$2,009,700 would be needed in 2005-06 to fully fund the first six months of the 2006-2007 W-2 contracts and \$4,019,300 would be needed in 2006-07 to fully fund the next 12 months of the contracts (Alternative B3).

23. In addition, the caseloads have been decreasing at a rate of 1.52% per month. If the caseloads continue to decrease at that rate, the average caseload could reach 7,103 for the first six months of the 2006-2007 W-2 contracts and 6,194 for the next 12 months of the contracts. Additional funding of \$3,778,900 in 2005-06 and \$1,164,000 in 2006-07 would be required to fully fund caseloads at this level (Alternative B4).

24. Given the proposed decrease of 21.8% in cash benefits for the 2006-2007 W-2 agency contracts over the 2004-2005 contracts, some W-2 agencies have expressed concern over whether they will be able to fully fund the W-2 program in their counties and be able to meet performance standards.

25. Some W-2 agencies indicate that when W-2 began, incentives were built into the program to reward agencies for meeting high performance standards. W-2 agencies were eligible to receive community reinvestment funds and performance bonuses. This arrangement made it possible for the W-2 agencies to assume the risk of increasing benefit costs because they would have extra funds to offset the increasing costs. However, there is no longer any funding for community reinvestment or performance bonuses. As a result, the agencies assume the risk of increasing benefit costs but have no other funds to offset the increase. In fact, in some geographic

areas, a tax levy could be needed to offset the increase in benefit costs. Therefore, some agencies would argue that instead of placing the entire burden on the agencies, the state, through DWD, should assume the responsibility of paying benefits.

26. Under current practice, W-2 agencies collect information from W-2 applicants and input the information into a statewide computer database system. The computer system, known as CARES, determines who qualifies for cash benefits, and the state issues the checks to the W-2 recipients. DWD then deducts the payments from the appropriate W-2 agency's benefit allocation.

27. The Committee may wish to transfer the responsibility of benefit payments to the state, rather than the W-2 agencies (Alternative B5). As a result, W-2 agencies would continue to provide services and operate in the same manner as they do currently. However, they would no longer be financially penalized if they could not stay within their benefit allocation due to an increase in the CNI caseload or the closing of a business. In addition, the state's role in distributing benefits to recipients would change little, if at all, and DWD may be in a better position to shift benefit dollars among geographic regions as needed.

28. On the other hand, relieving W-2 agencies of the responsibility to pay benefits could remove the incentive to quickly attach participants to the workforce.

29. DWD also indicates that when a single agency is responsible for eligibility, service plans, administrative costs, and identification of appropriate local job opportunities, there is better overall accountability for expenditures and employment outcomes. In addition, DWD indicates that by having the W-2 agencies pay benefits, they assume part of the risk for an increase in costs due to a poor economy or other unforeseen circumstances. Because 80% of the benefit dollars go to private corporations and non-profit entities, rather than counties, the risk is shared by non-governmental entities. If the state pays the benefits, only the state assumes the risk. Also, according to DWD, the state currently does share in this risk because W-2 agencies can opt out of the program with a 120-day notice. DWD would either have to find an alternative provider or assume the responsibility directly. Therefore, the state, counties, other local providers, and W-2 participants all share in the risk and have an interest in provider stability under the current system of W-2 agencies paying benefits.

Services

30. AB 100 would allocate \$21,731,500 in 2005-06 and \$43,463,000 in 2006-07 for W-2 services for the next round of W-2 contracts running from January 1, 2006, through December 31, 2007.

31. Based on expenditures from January, 2004, through January, 2005, it is projected that expenditures for services over the entire 2004-2005 contract period would total \$106,709,800 (\$4,446,200 per month) if the current level of spending is maintained. The Committee could fund services for the 2006-2007 contracts at the same level anticipated for the 2004-2005 contracts and increase funding for services by \$4,946,000 in 2005-06 and \$9,891,900 in 2006-07 to reflect

average expenditures for services during the first 13 months of the 2004-2005 contracts (Alternative B7).

32. On the other hand, it is possible that with the improving economy, the overall caseload for W-2 will decrease. As a result, the need for services would decrease. Therefore, the funding of services provided in the bill for the first 18 months for services for the 2006-2007 W-2 agency contracts may be sufficient (Alternative B6).

33. However, the funding provided for services under the bill for the 2006-2007 contracts reflects a decrease of 21.8% from the 2004-2005 contracts. To lessen the impact the reduction would have on services, the Committee could provide \$3,035,900 in 2005-06 and \$6,071,800 in 2006-07 to partially restore funding for services during the first 18 months of the 2006-2007 agency contracts. These amounts represent half of the reduction that would occur under AB 100 (Alternative B8).

Administration

34. AB 100 would allocate \$9,524,600 in 2005-06 and \$19,049,200 in 2006-07 for local administration of W-2 under the 2006-2007 contracts. Based on expenditures from January, 2004, through January, 2005, it is projected that administration expenditures over the entire contract period would total \$29,641,700 (\$1,235,100 per month) if the current level of spending is maintained. The Committee could reduce funding by \$2,114,200 in 2005-06 and \$4,228,400 in 2006-07 to reflect average expenditures for services during the first 13 months of the 2004-2005 contracts (Alternative B10).

35. On the other hand, the level of funding provided under Alternative B10 represents a 30% decrease from the funding provided for administration under the 2004-2005 contracts. The amount under AB 100 for administration under the 2006-2007 W-2 agency contracts represents a 10% decrease from the 2004-2005 contracts. The 10% decrease provided under the bill may be more appropriate (Alternative B9).

36. However, based on federal TANF guidelines, administrative expenditures should be no more than 15% of total program costs. The Committee could reduce funding by \$1,107,600 in 2005-06 and \$2,215,100 in 2006-07 so that expenditures for local administration of the W-2 agency contracts would be 15% of the total contract amount (Alternative B11).

ALTERNATIVES

A. 2004-2005 W-2 AGENCY CONTRACTS

Benefits

1. Approve the Governor's recommendation to provide \$33,219,700 for benefits for the last six months of the 2004-2005 W-2 agency contracts.

2. Modify the Governor's recommendation to provide an additional \$2,839,000 FED in 2005-06 to fund the projected W-2 benefit expenditures for the last six months of the 2004-2005 W-2 agency contract period based on the average benefit of \$585.80 per month, a W-2 subsidized employment caseload of 8,900, and a CNI caseload of 1,183. The total statutory allocation for W-2 benefits would be \$36,058,700 in 2005-06 for the remaining six months of the 2004-2005 W-2 contracts.

<u>Alternative A2</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$2,839,000

3. Modify the Governor's recommendation to reduce funding by \$1,069,500 FED in 2005-06 to fund the projected W-2 benefit expenditures for the last six months of the 2004-2005 W-2 agency contract period based on a declining W-2 subsidized employment caseload at the rate of 1.52% per month, a CNI caseload of 1,183, and an average benefit of \$585.80 per month. The total statutory allocation for W-2 benefits would be \$32,151,200 in 2005-06 for the remaining six months of the 2004-2005 W-2 contracts.

<u>Alternative A3</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	-\$1,069,500

Services

4. Approve the Governor's recommendation to provide \$27,803,300 in 2005-06 to fund services for the last six months of the 2004-2005 W-2 contracts.

5. Modify the Governor's recommendation to reduce funding by \$1,125,900 FED in 2005-06 to fund the projected W-2 services expenditures for the last six months of the 2004-2005 W-2 agency contract period based on average expenditures from January, 2004, through January, 2005. The total statutory allocation for W-2 benefits would be \$26,677,400 in 2005-06 for the remaining six months of the 2004-2005 W-2 contracts.

<u>Alternative A5</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	-\$1,125,900

Administration

6. Approve the Governor's recommendation to provide \$10,582,900 in 2005-06 to fund administration for the last six months of the 2004-2005 W-2 contracts.

7. Modify the Governor's recommendation to reduce funding by \$3,172,500 FED in 2005-06 to fund the projected W-2 administration expenditures for the last six months of the 2004-2005 W-2 agency contract period based on average expenditures from January, 2004, through January, 2005. The total statutory allocation for W-2 administration would be \$7,410,400 in 2005-06 for the remaining six months of the 2004-2005 W-2 contracts.

Alternative A7	FED
2005-07 FUNDING (Change to Bill)	- \$3,172,500

B. 2006-2007 W-2 AGENCY CONTRACTS

Benefits

1. Approve the Governor's recommendation to provide \$25,965,000 in 2005-06 and \$51,930,000 in 2006-07 for benefits during the first 18 months of the 2006-2007 W-2 agency contracts.

2. Modify the Governor's recommendation to provide an additional \$9,513,800 FED in 2005-06 and \$19,027,500 FED in 2006-07 to fund cash benefits during the first 18 months of the 2006-2007 W-2 agency contract period based on the current average W-2 subsidized employment caseload of 8,735, a CNI caseload of 1,183, and the current average benefit level of \$585.80 per month. The total statutory allocation would be \$35,478,800 in 2005-06 and \$70,957,500 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

Alternative B2	FED
2005-07 FUNDING (Change to Bill)	\$28,541,300

3. Modify the Governor's recommendation to provide an additional \$2,009,700 FED in 2005-06 and \$4,019,300 FED in 2006-07 to fund cash benefits during the first 18 months of the 2006-2007 W-2 agency contract period based on a W-2 subsidized employment caseload of 6,600 assumed under the bill, a CNI caseload of 1,183, and the current average benefit level of \$585.80 per month. The total statutory allocation would be \$27,974,700 in 2005-06 and \$55,949,300 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B3</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$6,029,000

4. Modify the Governor's recommendation to provide an additional \$3,778,900 FED in 2005-06 and \$1,164,000 FED in 2006-07 to fund benefits during the first 18 months of the 2006-2007 W-2 agency contract period based on an average W-2 subsidized employment caseload of 7,103 during the first six months of the contract period, an average caseload of 6,194 during the next 12 months of the contract period, a CNI caseload of 1,183, and an average benefit level of \$585.80 per month. The total statutory allocation would be \$29,743,900 in 2005-06 and \$53,094,000 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B4</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$4,942,900

5. In addition to Alternative B1, B2, B3, or B4, transfer the responsibility of benefit payments from W-2 agencies to the state. Under this alternative, funding for cash benefits under the 2006-2007 W-2 agency contracts would not be allocated to the W-2 agencies. Instead, DWD would be responsible for making benefit payments from the entire benefits allocation.

Services

6. Approve the Governor's recommendation to provide \$21,731,500 in 2005-06 and \$43,463,000 in 2006-07 for services during the first 18 months of the 2006-2007 W-2 agency contracts.

7. Modify the Governor's recommendation to provide an additional \$4,946,000 FED in 2005-06 and \$9,891,900 in 2006-07 to fund services for the first 18 months of the 2006-2007 W-2 agency contract period based on the average monthly expenditures for services from January, 2004, through January, 2005. The total statutory allocation would be \$26,677,500 in 2005-06 and \$53,354,900 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B7</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$14,837,900

8. Modify the Governor's recommendation to provide an additional \$3,035,900 FED in 2005-06 and \$6,071,800 FED in 2006-07 to fund services for the first 18 months of the 2006-2007 W-2 agency contract period. This alternative would cut the Governor's reduction from base funding by half. The total statutory allocation would be \$24,767,400 in 2005-06 and \$49,534,800 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B8</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$9,107,700

Administration

9. Approve the Governor's recommendation to provide \$9,524,600 in 2005-06 and \$19,049,200 in 2006-07 for local W-2 administrative expenses during the first 18 months of the 2006-2007 W-2 agency contracts.

10. Modify the Governor's recommendation to reduce funding by \$2,114,200 FED in 2005-06 and \$4,228,400 FED in 2006-07 for local W-2 administration expenses during the first 18 months of the 2006-2007 W-2 agency contract period based on the average monthly expenditures for administration from January, 2004, through January, 2005. The total statutory allocation would be \$7,410,400 in 2005-06 and \$14,820,800 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B10</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	- \$6,342,600

11. Modify the Governor's recommendation to reduce funding by \$1,107,600 FED in 2005-06 and \$2,215,100 FED in 2006-07 for local W-2 administration expenses during the first 18 months of the 2006-2007 W-2 agency contract period based on 15% of the overall contract amount. The total statutory allocation would be \$8,417,000 in 2005-06 and \$16,834,100 in 2006-07 for the first 18 months of the 2006-2007 W-2 contracts.

<u>Alternative B11</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	- \$3,322,700

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