



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #890

### **Caretaker of a Newborn Infant (DWD -- Economic Support and Child Care)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 612, #8]

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#### **CURRENT LAW**

A person who meets the eligibility requirements for a Wisconsin Works (W-2) employment position, and who is a custodial parent of an infant who is 12 weeks old or less, may receive a monthly grant of \$673, unless another adult member of the W-2 group is participating in a W-2 employment position, or is employed in unsubsidized employment. The parent may not be required to participate in a W-2 employment position during the 12 weeks. Receipt of a caretaker of a newborn infant (CNI) grant does not constitute participation for purposes of time limits imposed on participation in W-2 employment positions if the child was not born more than 10 months after the date the participant was first determined to be eligible for a W-2 employment position or the former aid to families with dependent children (AFDC) program. For a child born more than 10 months after the date the participant was first determined to be eligible for AFDC or a W-2 employment position, receipt of the grant does constitute participation unless the child was conceived as a result of a sexual assault or incest, which has been reported to a physician and to law enforcement authorities.

Participants in W-2 employment positions who receive temporary assistance to needy families (TANF) cash benefits are required to work a certain number of hours per week, and may be required to engage in education and training for a certain number of hours per week. Trial job participants do not have a number of required work hours, but are paid minimum wage for the number of actual hours worked. Community service job (CSJ) participants receive a grant of up to \$673 per month, may be required to work up to 30 hours per week, and may be required to participate in training activities for up to 10 hours per week. Participants in W-2 transitional placements receive a grant of up to \$628 per month, may be required to work up to 28 hours per

week, and may be required to participate in education and training for up to 12 hours per week. Grants to persons in both CSJs and transitional placements are reduced by \$5.15 per hour for missed work or education and training activities.

W-2 participants are eligible to receive subsidies for child care for time spent in work activities, education and training activities, job search, and orientation activities required under W-2.

## **GOVERNOR**

Provide \$2,193,100 FED in 2007-08 and \$5,631,500 FED in 2008-09 to reflect an extension of the amount of time an eligible custodial parent of an infant could receive a monthly W-2 grant from 12 weeks to 26 weeks. The funding includes \$2,734,600 in 2007-08 and \$6,426,200 in 2008-09 for cash benefits, which would be partially offset by reductions in child care funding of \$541,500 in the first year and \$794,700 in the second year to reflect that individuals would be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care. Funding for CNI grants, as well as other W-2 paid positions, is provided by the TANF block grant.

Under the bill, the parent could not be required to participate in a W-2 employment position during the 26 weeks. However, receipt of a CNI grant (including the initial 12 weeks) would constitute participation for purposes of time limits imposed on TANF and W-2 employment positions, regardless of when the child was born in relation to the determination of eligibility, unless the child was conceived as a result of a sexual assault, sexual assault of a child, or incest, which has been reported to a physician and to law enforcement authorities.

This provision would first apply to individuals who are determined to be eligible for W-2 and to be custodial parents of children who are 26 weeks old or less on the effective date of the bill. In addition, CNI grants would first constitute participation for purposes of time limits beginning with grants received on the effective date of the bill.

## **DISCUSSION POINTS**

1. Under federal TANF law, states can exempt parents with children up to one year of age from worker participation requirements.

2. According to a report prepared by the U.S. Department of Health and Human Services, as of December, 2006, 24 states and the District of Columbia provided exemptions from TANF work participation requirements for parents caring for infants up to the age of one year. Four states provided exemptions to parents caring for children older than one year. Three states provided exemptions to parents with children ranging somewhere between three months to one year. Fifteen states, including Wisconsin, provided exemptions for parents of infants who are up to three months old. Four states provided no automatic exemptions.

3. The family medical leave act (FMLA) requires certain employers to provide 12 weeks of unpaid leave to care for a family member, for their own physical/mental health care, and after the birth or adoption of a child.

4. Wisconsin's current exemption of 12 weeks is based on the FMLA provisions, and on the assumption that most employees get no more than 12 weeks of unpaid leave after the birth or adoption of a child.

5. Provisions to extend the time parents can receive grants to take care of newborn infants provide some savings because those families do not require child care. Information from DWD indicates that child care subsidies for families with children under six months currently average \$920 per month. This compares to the monthly CNI grant of \$673 per month. However, there is not a one-to-one savings because, according to DWD, only 22.7% of W-2 families with children between the ages of three months and six months use the child care subsidy program. Therefore, there are net costs for this provision.

6. In past years, it has been estimated that extending the CNI grant from 12 weeks to 26 weeks would result in a net savings because the savings in child care costs would outweigh the costs of extending the cash benefit. However, DWD indicates that the data used to estimate costs and savings to extend CNI grants has been adjusted and improved. As a result, the child care usage rate is approximately half of the child care usage rates used in previous estimates. Consequently, it is now estimated that the costs to extend CNI benefits outweigh the savings generated from parents not needing child care who otherwise would use child care.

7. There is much research on early child development and the effects of day care versus home care. Some research suggests that, for infants under the age of one year, separation from their mother for more than 20 hours per week may disrupt the development of attachment, and put some children at risk for social and emotional problems. In addition, some research indicates that warm, nurturing environments, with consistent, loving caretakers are needed for healthy brain development in children's early stages. Proponents of extended work exemptions for W-2 participants argue that the high cost of infant care and rapid turnover of child care workers make most child care settings available to low-income families unable to provide this type of nurturing environment. Other studies show that parents who are stressed and lack social supports are more likely to enroll their child in low-quality child care.

8. On the other hand, some studies indicate that day care may benefit low-income children. According to some research, children from impoverished home environments who attended day care during the first three years of life scored higher on reading recognition and math tests. It can also result in greater curiosity, better concentration, and improved on-task behavior. However, as noted, there are concerns as to the quality of child care that low-income persons can afford and obtain.

9. In addition, some would argue that extending benefits for low-income parents of newborn infants, who may not be required to participate in any type of work, education, or training

activities, would be a reversion to the types of disincentives that were believed to foster dependency under the AFDC program.

10. The bill would provide that anyone who is determined eligible for W-2 and who is a custodial parent of a child who is 26 weeks old or less on or after January 1, 2008, may receive a monthly grant of \$673, unless another member of the W-2 group is participating in a W-2 employment position, or otherwise employed in unsubsidized employment. If the child is 26 weeks old or younger, then the custodial parent cannot be required to participate in work related activities.

11. Based on the CNI caseload from January, 2006, through June, 2006, the bill assumes that there would be an average of 1,300 CNI cases per month over the 2007-09 biennium, and that this would increase to 2,400 by May, 2008. DWD indicates that the CNI caseload would not double because there is an assumption that only 70% of the CNI grant recipients who receive the grant for a child 12 weeks old or younger would opt to continue to receive the grant for an additional 14 weeks. The bill assumes the average CNI grant would be \$585 per month, rather than \$673 per month, which is the same amount assumed for all W-2 paid employment positions.

12. The bill also assumes that 54% of the CNI caseload would be first-time mothers. As a result, the potential child care savings would be less, since more than half of these parents would not receive additional savings from having a second child stay home during the additional 14 weeks. However, DWD has since revised the percentage of first-time mothers to 38%, so the child care savings would be greater than that indicated under the bill.

13. In addition, the bill assumes that 50% of CNI grant recipients under the new provision would otherwise be placed in a CSJ, while the other 50% would not receive additional services under W-2 and would obtain unsubsidized employment. However, based on the average percentage of W-2 participants with children between the ages of three months and six months versus the overall CNI caseload, it is estimated that approximately 27.7% of CNI grant recipients would otherwise participate in a W-2 employment position.

14. The bill would provide \$2,193,100 in 2007-08 and \$5,631,500 in 2008-09 to extend CNI grants from 12 weeks to 26 weeks. The funding includes \$2,734,600 in 2007-08 and \$6,426,200 in 2008-09 for cash benefits, which would be partially offset by reductions in child care funding of \$541,500 in the first year and \$794,700 in the second year to reflect that individuals would be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care. As noted above, in calculating the child care savings, the administration assumes that the child care usage rate (the percentage of W-2 participants with children between three and six months who receive child care subsidies) is 22.7%. DWD also projects an average child care subsidy cost per month to be \$622 per month.

15. Table 1 below provides revised estimates of the costs associated with extending the CNI grant from 12 weeks to 26 weeks with a current law caseload of 1,350 and an extra CNI caseload of 1,350, beginning January 1, 2008. Because there are no work requirements during the additional 14 weeks, it is assumed that all CNI grant recipients would continue to receive the CNI

grant for the additional 14 weeks. The revised estimates include funding for benefits, as well as savings in child care. The table also reflects a revised child care usage rate (estimated at 27.2% for W-2 participants with children under six months) and an average subsidy cost of \$920 per month for families with children under six months. It should be noted that the administration's estimate for the average subsidy cost per month is the average subsidy cost per child. The \$920 per month is the average subsidy cost per family, which takes into consideration that a family may have another child that would not need child care while the custodial parent is receiving a CNI grant. In addition, the administration's child care usage rate only includes families in paid W-2 employment positions that receive child care subsidies. The revised estimate also includes families in unpaid employment positions that receive child care subsidies. Finally, the CNI grant amount assumed is \$553 per month, based on the average CNI grant amount from January, 2006, through March, 2007. As shown below, compared to current law, net costs of the provision are projected at \$1,137,200 in 2007-08 and \$2,274,400 in 2008-09. Therefore, the amounts under the bill could be reduced by \$1,055,900 in 2007-08 and \$3,357,100 in 2008-09 to reflect these estimated costs, for a total reduction of \$4,413,000 over the biennium.

**TABLE 1**

**Comparison of Estimated Costs of Extending CNI Grants  
from 12 Weeks to 26 Weeks Under the Bill and Reestimate**

	Governor		Reestimate		Difference	
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>
W-2 Benefits	\$2,734,600	\$6,426,200	\$3,162,000	\$6,324,000	\$427,400	-\$102,200
Child Care Subsidies	<u>-541,500</u>	<u>-794,700</u>	<u>-2,024,800</u>	<u>-4,049,600</u>	<u>-1,483,300</u>	<u>-3,254,900</u>
Net Costs	\$2,193,100	\$5,631,500	\$1,137,200	\$2,274,400	-\$1,055,900	-\$3,357,100

16. To further reduce the cost of the Governor's proposal, the Committee could maintain the CNI grant amount at the current level for custodial parents of infants up to 12 weeks old, and provide a reduced grant amount for those that would receive extended grants under the bill. For example, the grant amount for custodial parents of infants age 13 weeks to 26 weeks could be reduced to \$500 per month, which reflects approximately 75% of a CNI grant of \$673 per month. The projected costs under this alternative would be \$707,900 in 2007-08 and \$1,415,800 in 2008-09, including: (a) an increase in W-2 benefit costs for CNI grants of \$2,732,700 in 2007-08 and \$5,465,400 in 2008-09; and (b) child care subsidy savings of \$2,024,800 in 2007-08 and \$4,049,600 in 2008-09. Compared to the bill, costs would decrease by \$1,485,200 in 2007-08 and \$4,215,700 in 2008-09, for a biennial savings of \$5,700,900. Other similar alternatives could also be constructed.

17. Finally, the bill would make receipt of CNI grants count as participation for purposes of time limits beginning with grants received on January 1, 2008. Under both state and federal law, the length of time an individual or any other adult in the individual's W-2 group may

receive benefits is limited to 60 months. The 60 months do not have to be consecutive.

18. Therefore, under the bill, a CNI grant recipient could have as much as 26 weeks counted against the 60-month time limit. The Committee may wish to delete this provision to reflect current law, which allows the CNI grant period to not constitute participation for purposes of federal and state time limits if the child was not born more than 10 months after the date the participant was first determined to be eligible for assistance for a W-2 employment position.

**ALTERNATIVES TO BILL**

1. Adopt the Governor's proposal to extend the amount of time an eligible custodial parent of an infant could receive a caretaker of a newborn infant grant from 12 weeks to 26 weeks, beginning January 1, 2008, and provide \$2,193,100 FED in 2007-08 and \$5,631,500 FED in 2008-09.

<b>ALT 1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	\$0	\$7,824,600

2. Modify the Governor's proposal to reduce funding by \$1,055,900 FED in 2007-08 and \$3,357,100 FED in 2008-09 to reflect an initial CNI caseload of 1,350 that doubles to 2,700, an average CNI benefit of \$553, an average child care subsidy per family of \$920, a child care usage rate of 27.2%, and that 27.7% would otherwise be placed in a CSJ.

<b>ALT 2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	-\$4,413,000	\$3,411,600

3. Modify the Governor's proposal to provide that custodial parents of infants of children age 13 weeks to 26 weeks could receive a monthly benefit of \$500, rather than \$673 under the bill, and reduce funding by \$1,485,200 FED in 2007-08 and \$4,215,700 FED in 2008-09, for a biennial savings of \$5,700,900.

<b>ALT 3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	-\$5,700,900	\$2,123,700

4. Delete provision.

<b>ALT 5</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	-\$7,824,600	\$0

5. In addition to Alternatives 1, 2, or 3:

a. Adopt the Governor's proposal to make receipt of a caretaker of newborn infant grant count as participation for purposes of time limits, beginning with grants received on January 1, 2008.

b. Delete the Governor's proposal to make receipt of caretaker of newborn infant grants count as participation for purposes of time limits.

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