



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #224

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

CURRENT LAW

The Department of Children and Families (DCF) is authorized to contract with any person to implement the Wisconsin Works (W-2) program at the local level. As of May 1, 2009, W-2 is administered at the local level as follows: (a) 45 counties are served by county human/social services agencies; (b) 26 counties outside of Milwaukee County are served by non-county agencies; and (c) four non-county agencies cover five regions in Milwaukee County. There are three for-profit W-2 agencies: Maximus in Milwaukee County, Arbor Education and Training in Waukesha County, and Policy Studies, Inc. in Milwaukee County. All other non-county agencies are non-profit organizations. Eight tribes operate separate programs as allowed under federal law.

The current W-2 agency contracts run from January 1, 2006, through December 31, 2009, 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 operation of 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 2007 Wisconsin Act 20 (the 2007-09 biennial budget act) for the 24-month period from July 1, 2007, through June 30, 2009, of the 2006-2009 W-2 agency contracts included \$87.5 million in employment benefits, \$76.9 million in services funds, and \$21.4 million for administration. The last six months of these four-year contracts will be funded in the 2009-11 biennial budget.

The next set of contracts will be two-year contracts and will begin January 1, 2010, and end December 31, 2011. The first 18 months of the 2010-2011 W-2 agency contracts will also

be funded in the 2009-11 biennial budget. The last six months (July 1, 2011, through December 31, 2011) would be funded in the 2011-13 biennium.

Base funding is \$43,392,200 for benefits, \$38,471,500 for services, and \$10,701,100 for administration. W-2 agency contracts are funded with the temporary assistance for needy families (TANF) block grant and other TANF-related revenues.

GOVERNOR

No changes to base funding for benefits, services, or administration of the W-2 agency contracts.

DISCUSSION POINTS

Benefits

1. AB 75 would allocate \$21,696,100 for W-2 cash benefits for the last six months of the 2006-2009 W-2 agency contracts (July 1, 2009, through December 31, 2009) and \$65,088,300 for the first 18 months of the 2010-2011 W-2 agency contracts (January 1, 2010, through June 30, 2011). This would be provided as follows: (a) \$4,477,900 for the last six months of the 2006-2009 W-2 agency contracts and \$13,433,700 for the first 18 months of the 2010-2011 W-2 agency contracts would be for cash grants paid to caretakers of newborn infants under current law; and (b) \$17,218,200 for the last six months of the 2006-2009 W-2 agency contracts and \$51,654,600 for the first 18 months of the 2010-2011 W-2 agency contracts would be provided for W-2 cash benefits for persons in paid W-2 employment positions (Alternative 1).

2. Additional funding is provided to extend cash grants paid to caretakers of newborn infants from 12 weeks to 26 weeks for eligible individuals and to extend grants to pregnant women who are in their third trimester of an at-risk pregnancy. (These funding amounts are addressed in separate budget papers.) The following table shows funding provided under AB 75 for benefits under the last six months of the 2006-2009 W-2 agency contracts and under the first 18 months of the 2010-2011 W-2 agency contracts, the extension of CNI grants, and the extension of grants to pregnant women who are in their third trimester of an at-risk pregnancy (the extension of these grants do not begin until the start of the new set of contracts on January 1, 2010).

2010-2013 W-2 Agency Contracts Benefits Funding Under AB 75

<u>Proposal</u>	<u>Base Funding</u>	<u>2009-10</u>	<u>2010-11</u>
W-2 Benefits	\$43,392,200	\$43,392,200	\$43,392,200
Extend CNI Grants	0	421,600	1,616,800
Extend Grants to Pregnant Women	0	469,200	938,500
 Total	 \$43,392,200	 \$44,283,000	 \$45,947,500

3. The W-2 cash benefit caseload has been increasing. AB 75 assumes the subsidized W-2 employment caseload will remain constant at 4,894 per month from July 1, 2009, through June 30, 2011. The bill also assumes an average monthly CNI caseload of 1,350.

4. 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. Employers of persons in a real work, real pay pilot job are eligible to receive reimbursement for the following expenses related to the W-2 participant's employment: (a) a wage subsidy in an amount that does not exceed the federal minimum wage (currently \$6.55 per hour, which will increase to \$7.25 per hour on July 24, 2009) for 30 hours of work each week; (b) federal social security taxes; (c) state and federal unemployment contributions or taxes, if any; and (d) worker's compensation insurance premiums, if any. 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.

5. Under AB 75, funding for CNI benefits would total \$8,955,800 annually based on an average monthly caseload of 1,350 and an average monthly benefit of \$553. From July, 2008, through April, 2009, the average monthly CNI caseload was 1,449, and the monthly average CNI benefit was \$533. The average benefit is lower than the \$673 grant amount due to partial payments made to recipients who begin or end grants during a month. Based on these averages, the amount needed to fully fund CNI benefits during the 2009-11 biennium is reestimated to be \$9,273,700 annually, for an increase of \$317,900 annually.

6. Under AB 75, the assumed monthly average cash benefit for persons in W-2 paid employment positions is \$586.30. The actual average benefit level has been lower in recent months, with an average amount for W-2 paid employment positions (excluding CNI grants) for the period of July, 2008, through April, 2009, of \$525.87 per month. It is assumed that this average benefit amount would continue through the 2009-11 biennium.

7. Based on the current average level of \$525.87 per month, the amount of funding provided under the bill for W-2 cash benefits would fund 5,457 paid W-2 employment cases per

month over the biennium. This would actually be a decrease of 6.9% from the caseload of 5,861 in April, 2009. This suggests that funding provided under AB 75 would be insufficient to fully fund the W-2 benefit caseloads during the 2009-11 biennium.

8. The federal American Recovery and Reinvestment Act of 2009 (ARRA) created a new, temporary emergency contingency fund that exists from October 1, 2008, through September 30, 2010. States with increased cash welfare caseloads under TANF-related programs are eligible to receive monies from this fund. This fund reimburses states for 80% of the increased expenditures of basic assistance and subsidized employment (calculated from the costs to support an increase in the caseload of W-2 benefit cases, caretaker supplement cases, and kinship care cases from the federal fiscal year 2007 caseload) or short-term non-recurrent benefits (emergency assistance). For purposes of these estimates, it is assumed that 80% of any increased funding for W-2 benefits from July 1, 2009, through September 30, 2010, would be funded from the emergency contingency fund under the ARRA.

9. Caseloads have been increasing at a rate of 0.74% per month. If the caseloads continue to increase at that rate, the average caseload could increase to 6,243 in 2009-10 and 6,822 in 2010-11. The Committee could increase funding by \$5,278,000 in 2009-10 and \$8,931,400 in 2010-11 to reflect an increase in monthly caseloads by 0.74% per month (Alternative A2). Under this alternative, the total allocation for benefits would be \$48,670,200 in 2009-10 and \$52,323,600 in 2010-11. In addition, federal revenue from the emergency contingency fund would total \$4,222,400 in 2009-10 and \$1,786,300 in 2010-11. The remaining costs of \$1,055,600 in 2009-10 and \$7,145,100 in 2010-11 would be funded from the TANF block grant. These figures include an additional \$317,900 in each year for CNI grants.

10. However, there are indications that the recession is slowing down and that recovery will begin in 2010. The most recent national economic forecast by IHS Global Insight, Inc. indicates that employment will begin to pick up during the second quarter of 2010. Therefore, it is possible that the caseload for W-2 benefits would continue to increase at the rate of 0.74% during 2009-10, but that the caseloads would level off during 2010-11. The average caseload could increase to 6,243 in 2009-10 and level off at the estimated June, 2010, level of 6,500 during 2010-11. The Committee could provide \$5,278,000 in 2009-10 to reflect the increase in monthly caseload of 0.74% month and provide \$6,898,900 in 2010-11 to reflect the average monthly caseload in 2010-11 (6,500) would be the same as the monthly caseload in June, 2010 (Alternative A3). Under this alternative, the statutory allocation for benefits would be \$48,670,200 in 2009-10 and \$50,291,100 in 2010-11. In addition, federal revenue from the emergency contingency fund would total \$4,222,400 in 2009-10 and \$1,379,800 in 2010-11. The remaining costs of \$1,055,600 in 2009-10 and \$5,519,100 in 2010-11 would be funded from the TANF block grant.

Services

11. Based on actual expenditures from January, 2008, through March, 2009, it is projected that annual expenditures for services would be \$42,301,300, for a total of \$3,525,100 per month if the current level of spending is maintained. The Committee could fund W-2 services

based on actual expenditures from January, 2008, through March, 2009, and increase funding by \$3,829,800 annually to reflect average expenditures for services (Alternative B2).

12. AB 75 would allocate base level funding of \$38,471,500 each year for W-2 services. The Committee could approve the Governor's recommendation and provide no additional funding for W-2 services (Alternative B1). W-2 agencies would be required to continue to provide services for W-2 participants within the funding allocated for that purpose.

13. However, the funding provided for services also supports individuals in the W-2 program who are not in paid W-2 employment positions. These funds are used to provide case management services to help an individual retain employment and to obtain additional skills for a job with more hours, pay, and benefits. From January, 2008, through March, 2009, the monthly non-paid caseload averaged 2,610.

Administration

14. Based on actual expenditures from January, 2008, through March, 2009, it is projected that annual administration expenditures would be \$8,247,000 (\$687,300 per month) if the current level of spending is maintained. The Committee could reduce funding by \$2,454,100 annually to reflect average expenditures for administration (Alternative C2).

15. AB 75 would allocate \$10,701,100 annually for local administration of W-2. Base funding for local administration of W-2 is also \$10,701,100. The Committee could continue to fund local administration at the base funding level (Alternative C1). With the expected rise in the number of W-2 participants during the 2009-11 biennium, it is possible that additional funds would be needed to administer W-2 at the local level than what has been expended from January, 2008, through March, 2009.

ALTERNATIVES

A. Benefits

1. Approve the Governor's recommendation to continue to provide base level funding of \$43,392,200 annually for W-2 cash benefits.

2. Modify the Governor's recommendation to provide an additional \$5,278,000 FED in 2009-10 and \$8,931,400 FED in 2010-11 to fully fund W-2 cash benefits based on an average monthly caseload in 2009-10 of 6,243 and in 2010-11 of 6,822, an average monthly benefit level of \$525.87, and an average monthly CNI caseload of 1,449. In addition, provide additional federal revenue of \$4,222,400 in 2009-10 and \$1,786,300 in 2010-11. The statutory allocation for W-2 benefits would total \$48,670,200 in 2009-10 and \$52,323,600 in 2010-11.

ALT A2	Change to Bill	
	Revenue	Funding
FED	\$6,008,700	\$14,209,400

3. Modify the Governor's recommendation to provide an additional \$5,278,000 FED in 2009-10 and \$6,898,900 FED in 2010-11 to fund W-2 cash benefits based on an average monthly caseload in 2009-10 of 6,243 and in 2010-11 of 6,500, an average monthly benefit level of \$525.87, and an average monthly CNI caseload of 1,449. In addition, provide additional federal revenue of \$4,222,400 in 2009-10 and \$1,379,800 in 2010-11. The statutory allocation for W-2 benefits would total \$48,670,200 in 2009-10 and \$50,291,100 in 2010-11.

ALT A3	Change to Bill	
	Revenue	Funding
FED	\$5,602,200	\$12,176,900

B. Services

1. Approve the Governor's recommendation to continue to provide base level funding of \$38,471,500 annually for W-2 services.

2. Modify the Governor's recommendation to provide an additional \$3,829,800 FED annually for W-2 services based on average expenditures from January, 2008, through March, 2009. The total statutory allocation would be \$42,301,300 annually.

ALT B2	Change to Bill	
	Funding	
FED	\$7,659,600	

C. Administration

1. Approve the Governor's recommendation to continue to provide base level funding of \$10,701,100 annually for local W-2 administrative expenses.

2. Modify the Governor's recommendation to reduce funding by \$2,454,100 FED annually for local W-2 administrative expenses based on average expenditures for services from January, 2008, through March, 2009. The total statutory allocation would be \$8,247,000 annually.

ALT C2	Change to Bill	
	Funding	
FED	- \$4,908,200	

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