



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 21, 2013

Joint Committee on Finance

Paper #198

Noncustodial Parents Under the Wisconsin Works Program (Children and Families -- Economic Support and Child Care)

[LFB 2013-15 Budget Summary: Page 109, #4]

CURRENT LAW

Wisconsin Works (W-2) is the state's work program under the federal temporary assistance for needy families (TANF) block grant program. Under the current W-2 program administered by the Department of Children and Families (DCF), an individual who would be eligible for W-2 services except that the individual is the noncustodial parent of a dependent child is eligible for certain services if the child's custodial parent is a W-2 participant and if the individual is subject to a child support order. The types of services that may be provided by the W-2 agency under this provision include job search and retention assistance, case management, career advancement services, and education and training designed to enable the individual to obtain and retain employment.

GOVERNOR

Provide \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 for the W-2 agency contracts in order to expand services to noncustodial parents under the W-2 program.

Eligible Noncustodial Parents. Specify that an individual who would be eligible for W-2 except that the individual is a noncustodial parent of a dependent child is eligible for some W-2 services and W-2 benefits if the individual is subject to a child support order and if the custodial parent of the dependent child is: (a) receiving case management services under W-2; (b) participating in a W-2 employment position; (c) receiving a caretaker of a newborn infant or an at-risk pregnant woman grant; or (d) receiving a child care subsidy under Wisconsin Shares.

Services and Benefits. Specify that an eligible noncustodial parent is eligible for

placement in a trial employment match program (TEMP) job.

Authorize a W-2 agency to provide to an eligible noncustodial parent: (a) job search assistance and case management designed to enable the individual to obtain and retain employment; (b) placement in one TEMP job under W-2; or (c) a stipend in an amount to be determined by the W-2 agency for a maximum of four months. Specify that the stipend ends if the individual is placed in a TEMP job or obtains unsubsidized employment.

Finally, specify that any noncustodial parent, who is otherwise eligible for W-2, is eligible to receive a job access loan.

DISCUSSION POINTS

Noncustodial Parents and TANF

1. According to the Center for Law and Social Policy, child support substantially increases the economic well-being of low- and moderate-income families. Child support payments are a critical source of economic stability for these families, including families leaving welfare. A 2004 study by Carl Formoso of the impact of child support on self-sufficiency, *Beneficial Impacts of Child Support Services on Custodial Family Self-Sufficiency*, indicates that custodial parents who receive regular payments, compared to similar custodial parents who receive irregular payments, are less likely to use government assistance and are more likely to be employed and generate higher earnings when employed. Earlier studies by Dr. Formoso suggested that with regular child support payments, custodial parents who left welfare stayed off welfare longer, found employment faster, and stayed employed longer.

2. Under TANF regulations, expenditures classified as assistance may only be provided to pregnant women and men or women who have a dependent minor child living in the home. Assistance includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs such as food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses. Therefore, assistance may not be provided to noncustodial parents.

3. However, expenditures that are not considered assistance may be provided to noncustodial parents. These expenditures include: (a) nonrecurring short-term benefits that are designed to deal with a specific crisis situation or episode of need, are not intended to meet recurrent or ongoing needs, and will not extend beyond four months; (b) work subsidies; (c) supportive services such as child care and transportation for families that are employed; (d) refundable earned income tax credits; (e) contributions to and distributions from individual development accounts; (f) services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement, and other employment-related activities that do not provide basic income support; and (g) certain transportation benefits related to the job access and reverse commute program.

4. As a result of these TANF regulations, but in an effort to establish regular child support payments for custodial parents, an individual who would be eligible for W-2 services except that the individual is the noncustodial parent of a dependent child is eligible for limited services if the child's custodial parent is a W-2 participant and if the individual is subject to a child support order. Eligible noncustodial parents are typically provided case management services, such as job search and retention assistance, case management, career advancement services, and education and training designed to enable the individual to obtain and retain employment.

5. However, these case management services for noncustodial parents under the W-2 program have not been utilized. During the past five years, there have been only five individuals who have received services as noncustodial parents under the W-2 program. From August, 2010, through February, 2013, no noncustodial parents received services under the W-2 program.

Children First and Other States

6. The children first program provides job training and work experience to low-income or underemployed noncustodial parents to help them meet their child support financial obligations. A noncustodial parent who has no current means of meeting a child support obligation may be ordered by a court into the program. Children first participants often face significant barriers to meaningful employment, including low educational achievement, poor work histories, alcohol and/or drug abuse problems, and criminal records. The program is administered through partnerships between county child support agencies, W-2 agencies, and the county or tribal judicial system. It currently operates in 24 counties and two tribes.

7. Under the program, DCF reimburses the county child support or W-2 agency at a rate of up to \$400 per participant. Currently, about 3,000 persons participate in the program per year. Costs above those reimbursed by DCF are funded by the county. The children first program is budgeted \$1,140,000 annually. It is primarily funded with GPR as maintenance-of-effort spending for the TANF block grant.

8. Some other states have similar programs where a court orders the noncustodial parent into the work program. However, some of these programs are funded with TANF. In Texas, the Noncustodial Parent Choices program requires participation and offers three choices for the noncustodial parents: pay the owed child support, participate in work readiness efforts under the program, or risk jail time. The program is funded with TANF to encourage the formation and maintenance of two-parent families, which is the fourth purpose of the TANF program. In North Dakota, the Parental Responsibility Initiative for the Development of Employment (PRIDE) Program is also funded with TANF and requires a court to order the noncustodial parent into the program. If the noncustodial parent does not comply, then a contempt hearing is held.

9. The children first program and these other state programs require participation in a work program as an alternative to incarceration. The mandatory nature of the program with the threat of incarceration has shown some success in noncustodial parents finding employment.

AB 40

10. The bill would create a new component of W-2 for noncustodial parents in an effort to get noncustodial parents working and paying child support. The bill would provide \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 for the W-2 agency contracts in order to expand services to noncustodial parents under the W-2 program. In keeping with TANF regulations, expenditures for noncustodial parents would not be considered assistance. Instead, noncustodial parents would be offered case management services, as is the case under current law, placement in a TEMP job, which is a work subsidy, or a stipend for a maximum of four months, which is a short-term nonrecurring benefit.

11. DCF indicates that since the noncustodial parents would have to cooperate with their child support obligations, the caseload would increase slowly. DCF estimates the cost per placement for a six-month period to be \$6,345 per participant. This amount represents: (a) a TEMP job for 4 ½ months at \$7.25 per hour for 30 hours per week (\$4,241); (b) fringe benefits for the same time period as the TEMP wages (\$424); and (c) administrative and services costs for the W-2 agency for a six-month period (\$1,680). Given the amount of funding, a total of 39 individuals would be served in 2013-14 and 158 would be served in 2014-15. Given that a CSJ cash benefit would total \$3,740 for a four-month period, and the maximum cost for a TEMP placement would be \$8,914 for a six-month placement, an average of \$6,345 per participant seems reasonable.

12. The administration has requested that the new noncustodial W-2 component begin January 1, 2014, to coincide with the new contract year. The Committee could approve the proposal and provide \$250,000 in 2013-14 and \$1,000,000 in 2014-15 to W-2 agencies in order to provide services, stipends, and TEMP job placements to eligible noncustodial parents, beginning January 1, 2014 (Alternative 1). Unlike other work programs for noncustodial parents, the new W-2 noncustodial parent component is an incentive to get noncustodial parents working, rather than threatening noncustodial parents with incarceration. In contacting the National Conference of State Legislatures (NCSL), information was provided on services, case management, and other supports for noncustodial parents with TANF funds, but NCSL was unaware of any other state providing a cash benefit to noncustodial parents.

13. However, it is unknown how many noncustodial parents would choose to participate. With the new W-2 agency contracts that began January 1, 2013, a new emphasis was placed on providing services to noncustodial parents. While there have been no noncustodial parents participating in case management services under the W-2 program from August, 2010, through February, 2013, and there have only been five participants in the last five years, the caseload has increased substantially in March and April of 2013. In March, 2013, 25 noncustodial parents were receiving case management services under the W-2 program. This caseload increased to 29 noncustodial parents in April, 2013. Given the recent interest in the W-2 program for noncustodial parents, it may be reasonable to assume that more noncustodial parents would participate in the new eligible noncustodial placement than was estimated under the bill.

14. The Committee could provide an additional \$500,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 under the assumption that the noncustodial W-2 caseload would grow more rapidly than assumed (Alternative 2). In support of this alternative, the caseload has recently

increased from zero to 25 to 30 per month. This amount of funding would serve 78 eligible noncustodial parents in 2013-14 and 315 eligible noncustodial parents in 2014-15. Because the W-2 agencies would be responsible for funding the new noncustodial parent placement, it may be prudent to provide additional funding to the W-2 agencies to serve the eligible noncustodial parents

15. However, an impact analysis done of the Texas Noncustodial Parent Choices program noted that previous programs designed to engage low-income noncustodial parents in workforce programs often suffered from low enrollment, implementation, and service coordination challenges, resulting in modest impacts at best. The analysis further stated that evidence suggests mandatory programs with swift and certain consequences for non-participation can help alleviate enrollment problems.

16. The Committee could, instead, provide \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 to expand the children first program instead of creating a new noncustodial parent component of W-2 (Alternative 3). The goal is to induce noncustodial parents to pay child support. DCF notes that reports from the University of Wisconsin's Institute for Research on Poverty shows that the noncustodial parents in the children first program increased the number of child support payments they made and increased the amount of the child support payment. This funding would serve an additional 650 noncustodial parents in 2013-14 and 2,600 noncustodial parents in 2014-15.

17. On the other hand, providing a stipend or a TEMP job placement for a noncustodial parent appears to be a new idea. Therefore, the Committee could require the proposal to be a pilot project and require an evaluation of the pilot project before the eligible noncustodial parent placement would become a permanent component of W-2 (Alternative 4). The Committee could require the pilot project to be conducted from January 1, 2014, through June 30, 2015, and require that DCF submit an evaluation of the pilot project to the Committee no later than December 31, 2015. The Committee could require the evaluation to include information on caseloads, the number of participants who successfully obtained unsubsidized employment after being placed in an eligible noncustodial parent placement, and the effect on child support payments for the custodial parent.

18. Finally, the Committee could deny the proposal (Alternative 5). Given the limited amount of TANF block grant funding, the Committee could choose to use TANF funding for custodial parents with children. However, studies have shown that custodial parents who leave welfare programs fare better long-term with regular child support payments from noncustodial parents.

ALTERNATIVES

1. Approve the Governor's proposal to provide \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 for the W-2 agency contracts in order to expand services to noncustodial parents under the W-2 program, beginning January 1, 2014.

2. Modify the Governor's proposal to provide an additional \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 for the W-2 agency contracts in order to expand services,

beginning January 1, 2014, to an additional 39 eligible noncustodial parents in 2013-14 and an additional 157 eligible noncustodial parents in 2014-15 under the W-2 program. Total funding would be \$500,000 FED in 2013-14 and \$2,000,000 FED in 2014-15.

ALT 2	Change to Bill Funding
FED	\$1,250,000

3. Delete proposal. Instead, provide \$250,000 FED in 2013-14 and \$1,000,000 FED in 2014-15 to expand the children first program.

4. Modify the Governor's proposal to create a pilot program for an eligible noncustodial parent placement under the W-2 program, rather than create the placement as a permanent component of the W-2 program. Require the pilot project to be conducted from January 1, 2014, through June 30, 2015, and require that DCF submit an evaluation of the pilot project to the Committee no later than December 31, 2015. Require the evaluation to include information on caseloads, the number of participants who successfully obtained unsubsidized employment after being placed in an eligible noncustodial parent placement, and the effect on child support payments for the custodial parent.

5. Delete the proposal.

ALT 5	Change to Bill Funding
FED	- \$1,250,000

Prepared by: Kim Swissdorf