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Joint Committee on Finance

Paper #211

Wisconsin Works Lifetime Benefit Limit (Children and Families -- Economic Support and Child Care)

[LFB 2015-17 Budget Summary: Page 99, #2]

CURRENT LAW

Wisconsin Works

The Department of Children and Families (DCF) administers Wisconsin Works (W-2), a work-based program that provides training and support services to assist low-income parents obtain permanent and stable employment. In addition to providing paid employment placements, W-2 provides for related employment support services and for cash assistance to certain eligible families. Local W-2 agencies help applicants participate in work preparation activities, find or keep jobs, and pay for the costs of maintaining employment.

Community service jobs (CSJ) are intended for participants who are not ready for unsubsidized employment. The CSJ placement provides work experience and training to develop the skills necessary to succeed in a normal job environment. In addition to placement with public, private, or nonprofit worksites, a CSJ may also include education and training. A full-time CSJ placement provides a monthly payment of \$653.

W-2 transitional placements (W2T) are meant for individuals who are unable to perform independent, self-sustaining work due to barriers to employment, such as alcohol and drug abuse, medical or physical problems, mental health issues, and learning disabilities. Participants may be assigned to work activities such as a community rehabilitation program or a job similar to a community service job or a volunteer activity. A W2T placement may also include education and training activities, drug treatment programs, and other mental and physical rehabilitation activities. A W2T placement provides a monthly payment of \$608.

Lifetime Limit on TANF Assistance

W-2 is funded in part with federal funds from the temporary assistance to needy families (TANF) block grant. Under federal law, TANF block grant funds cannot be used to provide assistance to a family that includes an adult who has received assistance under any state program funded with federal TANF monies for 60 months or longer (whether or not consecutive).

State law sets a 60-month lifetime participation limit as a condition of eligibility for W-2 employment positions and job access loans. Under state and federal law, except for limited exceptions, all months in which individuals participate in the following programs accrue against the 60-month lifetime limit: (a) W-2 employment positions; (b) the job opportunities and basic skills program under prior law beginning on October 1, 1996; and (c) any program in Wisconsin or any other state in which benefits received were funded by federal TANF dollars. A household containing a W-2 participant and his or her dependent children is referred to as a "W-2 group." A W-2 group's 60-month limit is calculated using the adult member with the greatest number of accumulated months. The 60-month limit begins running for an individual when that individual attains the age of 18. The months in which an individual receives a reduced or no W-2 benefit due to a sanction also count toward the time limit.

In addition to the 60-month lifetime limit, each type of W-2 employment placement has its own cumulative 24-month time limit. Therefore, a participant may, at most, participate for 24 months in each of the placement types unless granted an extension by the W-2 agency.

Extensions of TANF Assistance

Federal law allows states to exempt up to 20% of the average monthly number of families receiving assistance in a year from the 60-month time limit by reason of hardship (as defined by the state) or if the family includes a member who has been battered or subjected to extreme cruelty (such as physical, mental, or sexual abuse). Under state law, the 60-month time limit may be extended if the W-2 agency, subject to review by DCF, determines that "unusual circumstances" warrant an extension. According to administrative rules, unusual circumstances means that the W-2 participant: (a) is unable to work because of a personal disability, or is needed at home to care for a severely incapacitated member of the W-2 group; (b) has significant limitations to employment (such as severe family problems or low achievement ability, a learning disability, or severe emotional problems that are not sufficient to meet the criteria for eligibility for social security disability insurance or supplemental security income); or (c) has made all appropriate efforts to find work but local labor market conditions preclude finding a job that pays at least the minimum wage and conforms to applicable federal and state laws. An extension may be granted for a period of up to twelve months. Subsequent extensions may also be granted.

Individuals who have reached their participation limit and are no longer eligible for a paid placement under W-2 may still receive services under an unpaid case management placement. To be eligible for the placement, the participant must meet W-2 financial and nonfinancial eligibility criteria, with the exception of the 60-month time limit. The goal is to match the individual to employment, connect the individual and family to services in the community, and reassess on a

monthly basis whether the individual is eligible for an extension.

GOVERNOR

Reduce the lifetime limit for W-2 employment positions and job access loans from 60 months to 48 months. The bill would not alter the 24-month participation limits for W-2 employment positions.

In addition, modify state law regarding extensions of the participation period to conform to federal law. A W-2 agency would be authorized to extend an individual's participation beyond 48 months if it determines that the individual is experiencing hardship or that the individual's family includes an individual who has been battered or subjected to extreme cruelty.

These provisions would first apply to W-2 participants on the bill's effective date, except that DCF would have discretion to allow individuals currently participating in W-2 to remain in the program for an appropriate period of time beyond 48 months in order to allow for transition out of W-2.

The administration estimates that the W-2 program would save \$1 million in 2015-16 and \$2 million in 2016-17 from lowering the lifetime participation limit to 48 months and from modifying state law provisions for granting extensions.

DISCUSSION POINTS

Reduction of the W-2 Lifetime Limit from 60 Months to 48 Months

1. Under the previous aids to families with dependent children (AFDC) program, there was no lifetime limit on the receipt of federal assistance. As of 1998, TANF and W-2 completely replaced AFDC in Wisconsin. Federal TANF laws and regulations now provide for a 60-month lifetime limit. States may enact shorter time limits.

2. In her testimony before the Joint Committee on Finance, the DCF Secretary indicated that the participation limit introduced by TANF induced many participants to find employment and leave public assistance more quickly than they otherwise may have done. The administration indicates that reducing the lifetime participation limit to 48 months would similarly encourage transition to employment and reduce dependence on government assistance.

3. According to the U.S. Department of Health and Human Services, as of July, 2013, fourteen states have set lifetime limits on TANF assistance which are shorter than the 60-month federal limit. Most of these states set a lifetime limit of 48 months. Additional states also set other types of limitations which interrupt or restrict benefits, such as limits on the allowable number of months of participation within a certain time period or a reduction in benefits after a time limit is reached.

4. Under state law, the lifetime participation limit applies to an individual's participation

in W-2 and job access loans, whether or not occurring in consecutive months over an individual's lifetime. Therefore, under the bill, the reduction of the lifetime participation limit from 60 months to 48 months would apply to past, present, and future participants.

5. The administration estimates that the W-2 program would save \$1 million in 2015-16 and \$2 million in 2016-17 from lowering the lifetime limit to 48 months. The estimated savings result from the reduction of placements of individuals in paid employment positions who have more than 48 months of participation. The estimates assume that growth in expenditures for W-2 benefits will remain flat over the biennium. As a result, the administration estimates that net spending for W-2 benefits would decrease by \$3 million over the biennium under the bill.

6. The administration's estimates of W-2 benefits appear to be reasonable given recent trends in participation levels in the W-2 program. In addition, the estimated savings are reasonable given the percentage of individuals having more than 48 months and less than 61 months of participation.

Effect on W-2 Placements

7. In her testimony, the Secretary indicated that most W-2 participants do not exceed the 60-month lifetime limit. The average duration of participation is 22 months.

8. Further, as shown in the following table, most participants who "time-out" on the 60-month lifetime participation limit while active in W-2 continue to receive an extension of a paid placement for unusual circumstances.

TABLE 1

W-2 Cases with 60 or More Months of Participation

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| No Request for Service or Extension | 71 | 66 | 59 | 91 | 168 | 161 | 137 | 169 |
| Case Management for Denied Extension* | 344 | 318 | 288 | 79 | 177 | 474 | 401 | 617 |
| Extension in Paid Employment Placement | 935 | 940 | 967 | 1,183 | 1,444 | 1,655 | 1,769 | 2,003 |

*Includes denials of extensions of individuals who have been approved for a previous extension in an employment placement.

9. Based upon a review of W-2 placement data since 2007, it would be reasonable to estimate that at least 75% of individuals who time-out on the participation limit would receive an extension in an employment position beyond the lifetime participation limit.

10. In addition to the extensions to paid employment placements shown in Table 1, participants may also qualify for other types of placements, such as paid placements for pregnant women and caretakers of infants, and unpaid case management services for those in unsubsidized

employment or who are capable of obtaining employment.

11. As a result, it is reasonable to conclude that the majority of W-2 participants would not experience a reduction in participation by the proposed 48-month lifetime participation limit.

12. On the other hand, there are many participants who would be impacted by the proposed change. DCF indicates that from 2007 to 2014, between 3.8% and 5.7% of active W-2 participants were in the program between 49 and 60 months.

13. Table 2 shows the W-2 placement distributions for 2014. As shown in Table 2, up to 2,228 paid W-2 placements would have been impacted had the proposed 48-month limit been in effect for 2014.

TABLE 2

2014 Distribution of W-2 Participation

| <u>Participation</u> | <u>W-2 Cases*</u> | <u>Percentage</u> | <u>Paid W-2 Cases**</u> | <u>Percentage</u> |
|----------------------|-------------------|-------------------|-------------------------|-------------------|
| 0 - 12 Months | 19,798 | 45.2% | 17,646 | 44.5% |
| 13 - 24 Months | 9,602 | 21.9 | 8,731 | 22.0 |
| 25 - 36 Months | 5,823 | 13.3 | 5,319 | 13.4 |
| 37 - 48 Months | 3,957 | 9.0 | 3,631 | 9.2 |
| 49 - 60 Months | 2,492 | 5.7 | 2,288 | 5.8 |
| 61 + Months | 2,145 | 4.9 | 2,003 | 5.1 |

*Because a participant accumulates additional participation over the course of a year, a total of 9,288 individuals appear in two different participation time ranges.

**Because a participant accumulates additional participation over the course of a year, a total of 8,850 individuals appear in two different participation time ranges.

14. Those qualifying to participate in W-2 have severe financial limitations. The income of a participant's W-2 group may not exceed 115% of the federal poverty level (\$23,104 for a family of three in 2015). Further, the participant's W-2 group cannot own assets having more than \$2,500 in combined equity value (except for one vehicle and the group's homestead). As a result, W-2 benefits (\$653 per month for a full-time CSJ and \$608 per month for W2T) represent a large portion of a participating family's resources.

15. Decreasing the lifetime participation limit may, therefore, negatively impact such families' finances and their efforts to obtain and maintain stable employment.

16. Further, as stated above, the 48-month participation limit would apply over a participant's entire lifetime. As a result, the shorter participation limit may have unforeseen impacts on future W-2 participants who attempt to reenter the program.

17. Due to the potential financial impact on a portion of participating W-2 families, the Committee may wish to deny the Governor's recommendation and maintain the current 60-month lifetime participation limit for W-2 and job access loans (Alternative 6). However, if the 60-month

lifetime participation limit were not reduced to 48 months, the W-2 program would not realize the estimated savings of \$3 million over the biennium.

18. Alternatively, the Committee could apply the 48-month lifetime limit only to those who apply for W-2 and job access loans after the effective date of the bill (Alternative 2). This would allow all current and past participants to remain subject to the 60-month participation limit. However, there would be no savings from the 48-month lifetime limit in the 2015-17 biennium because there would be no impact on caseloads until 48 months after the bill's effective date.

Extensions for Hardship

19. Under the bill, participants who have more than 48 months of participation in W-2 would remain eligible for certain unpaid case management services. However, without an extension for hardship (or extreme cruelty), they would no longer be eligible for paid employment placements.

20. Current rules allow for extensions based upon unusual circumstances, which by DCF administrative rule includes labor market conditions. However, labor market conditions are not unique to an individual family. Thus, such conditions may be incongruent with the proposed statutory modification to extend W-2 eligibility for hardship instead of for unusual circumstance.

21. DCF indicates that it will change its administrative rules for extending benefits beyond the lifetime limit. DCF intends to make decisions to exempt a family from the W-2 lifetime limit based on the circumstances unique to that family, and not labor market conditions in a region of the state or the state at large. As a result, labor market conditions would no longer be considered in determining whether to grant an extension.

22. A sizable amount of W-2 paid placement extensions are for labor market conditions. For example, in September, 2014, there were 1,406 paid placements granted extensions beyond the 60-month participation limit. Of these cases, 65% (911) were extended due to significant barriers to employment and 35% (495) were extended for local labor market conditions which precluded an opportunity to obtain a job that pays minimum wage and conforms to all applicable federal and state laws.

23. Had the proposed change from unusual circumstance to hardship (and the corresponding changes to DCF's administrative rules) been in effect, the 495 cases extended in September, 2014, for local labor market conditions would not have been extended.

24. The Committee may wish to define hardship in the statutes in order to retain the current policy of extending benefits for local labor market conditions (Alternative 4). It must be noted, however, that the administration's estimation of savings over the biennium (\$3.0 million) assumes that the definition of hardship under DCF rules would not include extensions for local labor market conditions. Due to recent caseloads and the relative number of extensions for labor market conditions, it is reasonable to believe that 50% of the estimated savings would be due to the elimination of extensions for labor market conditions. As a result, it may be estimated that \$1.5 million of the expected \$3 million in savings would not be realized by adoption of this alternative.

25. Alternatively, the Committee may wish to deny the Governor's recommendation to reduce the lifetime participation limit to 48 months and to approve the Governor's recommendation to modify state law to require hardship instead of unusual circumstances for an extension. (Alternative 3). This alternative would maintain the current 60-month lifetime participation limit. However, there would be fewer extensions beyond 60 months of participation because there would not be any extensions for local labor market conditions. Due to recent caseloads and the relative number of extensions for labor market conditions, it is reasonable to believe that only \$1.5 million (instead of \$3 million) would be saved by the adoption of this alternative.

Transitional Placements

26. The following table shows the services and placements for those persons with more than 60 months of participation, including extensions in CSJ or W2T placements for reasons of "unusual circumstances," case management for those who were denied an extension, and other services (such as paid placements for pregnant women and caretakers of infants, and unpaid case management services for those in unsubsidized employment or who were capable of obtaining employment).

TABLE 3

W-2 Placements and Services for More than 60 Months of Participation*

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Case Management for Denied | | | | | | | | |
| Extensions | 66 | 55 | 62 | 56 | 135 | 173 | 151 | 159 |
| W2T Extension | 802 | 817 | 817 | 916 | 1,037 | 1,139 | 1,259 | 1,326 |
| CSJ (full-time or part-time) | | | | | | | | |
| Extension | 224 | 201 | 250 | 400 | 636 | 785 | 860 | 1061 |
| Other | 313 | 283 | 228 | 233 | 292 | 360 | 382 | 624 |

*A participant may have multiple placements over the course of the year.

27. As shown in the Table 3, W2T placements represent a large proportion of the cases that are extended beyond the lifetime limit of 60 months. DCF indicates that from 2007 to 2014, between 41.8% to 60.1% of the extensions were for W2T placements.

28. DCF also indicates that, from 2007 to 2014, of those individuals having between 49 and 60 months of participation in the W-2 program, between 31.5% to 51.2% were in W2T placements. As a result, individuals in W2T placements are more likely to be affected by reducing the lifetime limit to 48 months than other participants in W-2.

29. As discussed above, the W2T placement is for persons who have barriers to employment which prevent them from participating in a CSJ or unsubsidized employment, such as physical limitations, mental health problems, and cognitive limitations. Therefore, such persons likely have less capacity to adjust to a new 48-month participation limit than participants in other components of the W-2 program would.

30. The Committee could choose to maintain the current 60-month lifetime participation limit for W2T placements and reduce the lifetime limit to 48 months for all other employment placements (Alternative 5). However, by doing so the W-2 program would not realize the full amount of the estimated savings of \$3 million over the biennium. Given recent caseloads in the W-2 program, it is reasonable to expect that 60% of the savings would be attributable to the W2T placement.

31. On the other hand, due to the attributes of eligible W2T participants, such persons are also more likely to be extended for hardship. Therefore, the impact on W2T participants from reducing the lifetime limit may be appropriately managed by DCF policies for extending participation for hardship. Further, DCF and W-2 agencies may find it administratively awkward to manage a lifetime participation limit which varies by placement type. As a result, the Committee may find that it is unnecessary and counterproductive to maintain a separate lifetime participation limit solely for W2T placements.

ALTERNATIVES

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to limit its effect to those persons who first apply for W-2 benefits after the effective date of the bill. Those participating in W-2 prior to the effective date of the bill would remain subject to the 60-month lifetime limit and to extensions based on unusual circumstance. As a result, no savings would be realized because no participants would be impacted by the changes during the biennium.

| ALT 2 | Change to Bill |
|--------------|-----------------------|
| FED | \$3,000,0000 |

3. Approve the Governor's recommendation to change the statutory requirements for extension of the lifetime participation for W-2 and job access loans, but deny the Governor's recommendation to reduce the lifetime participation limit to 48 months. This would require additional TANF funding of \$500,000 in 2015-16 and \$1,000,000 in 2016-17.

| ALT 3 | Change to Bill |
|--------------|-----------------------|
| FED | \$1,500,000 |

4. Approve the Governor's recommendation to reduce the lifetime participation limit to 48 months for W-2 and job access loans, but deny the Governor's recommendation to change the statutory requirements for extensions of participation. This would require additional TANF funding of \$500,000 in 2015-16 and \$1,000,000 in 2016-17.

| ALT 4 | Change to Bill |
|--------------|-----------------------|
| FED | \$1,500,0000 |

5. Modify the Governor's recommendation so that the reduction from 60 months to 48 months of the state lifetime limit for W-2 and job access loans would not apply to W2T placements. This would require additional TANF funding of \$600,000 in 2015-16 and \$1,200,000 in 2016-17.

| ALT 5 | Change to Bill |
|--------------|-----------------------|
| FED | \$1,800,000 |

6. Delete provision.

| ALT 6 | Change to Bill |
|--------------|-----------------------|
| FED | \$3,000,0000 |

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