



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #854

### *Temporary Assistance for Needy Families (TANF)*

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

[LFB 2005-07 Budget Summary: Page 556, #12]

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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 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.

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**

Extend the amount of time an eligible custodial parent of an infant could receive a CNI grant from 12 weeks, under current law, to 26 weeks. Funding for child care subsidies would be reduced by \$757,800 in 2005-06 and \$1,530,700 in 2006-07 to reflect that individuals could be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care.

The parent could either be required to participate in a W-2 employment position or receive a CNI grant from weeks 13 to 26. Receipt of a CNI grant (during the entire 26 weeks) would constitute participation for purposes of time limits imposed on W-2 employment positions, regardless of when the child was born in relation to the determination of eligibility.

The 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 January 1, 2006. In addition, CNI grants would first constitute participation for purposes of time limits beginning with grants received on January 1, 2006.

## **DISCUSSION POINTS**

1. Under federal TANF law, states can exempt parents with children up to one year of age from worker participation requirements.
2. As of February 25, 2005, 23 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. Five states provided exemptions to parents caring for children older than one year. Four states provided exemptions to parents with children ranging somewhere between three months to one year. Thirteen states, including Wisconsin, provided exemptions for parents of infants who are up to three months old. Five states provided no automatic exemptions.
3. The family and 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 \$1,100 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 42.5% of W-2 families with children between the ages of three months and six months use the child care subsidy program.

6. 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.

7. 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.

8. In addition, some would argue that extending benefits for low-income parents of newborn infants, who may or 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 former aid to dependent families with children (AFDC) program.

9. 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, 2006, 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 12 weeks old or younger, then the custodial parent cannot be required to participate in work related activities. However, if the child is between 13 weeks and 26 weeks old, the custodial parent may be required to participate in work activities.

10. Based on overall cash benefits caseload projections, the bill assumes that, under current law, there would be an average of 900 CNI cases per month over the 2005-07 biennium, and that this would double to an average of 1,800 CNI cases per month, beginning January 1, 2006, under the provision that would extend the grants from 12 weeks to 26 weeks.

11. The administration estimates that 12% of a cash benefit caseload of 7,500 will be CNI grant recipients. However, the percentage of the cash benefit caseload receiving a CNI grant

has fluctuated. It does not appear to correspond to the overall cash benefit caseload. For example, during calendar years 2000 and 2001, when monthly cash benefit caseloads ranged from 6,495 to 8,707, the percentage receiving a CNI grant ranged from a low of 13.6% (CNI caseload of 911) when the cash benefit caseload was 6,696 to a high of 16.3% (CNI caseload of 1,098) when the cash benefit caseload was 6,754.

12. More recently, the cash benefit caseload has been declining from a high of 12,539 in June, 2004, to a low of 10,116 in February, 2005. However, the percentage of CNI recipients ranged from a low of 11.2% in July, 2004, to a high of 13.4% in January, 2005. It does not appear that when the overall cash benefit caseload declines, the CNI grant caseload declines. Based on CNI benefit expenditures from July, 2004, through February, 2005, it is estimated that the average monthly CNI caseload thus far in 2004-05 is 1,183. With the extension of CNI grants to 26 weeks, the caseload would double to 2,366 on January 1, 2006.

13. The administration also assumes that there would be no additional benefit costs to extend CNI grants from 12 weeks to 26 weeks because these women would otherwise be placed into a paid employment position under W-2. However, not all women receiving CNI grants would transfer into a subsidized employment position after 12 weeks. In fact, many of these women would be ready for attachment to the workforce and either find work in an unsubsidized position or receive case management services only because they are ready for unsubsidized employment. 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 50% of CNI grant recipients would otherwise participate in a W-2 employment position.

14. According to a report issued by the Legislative Audit Bureau in April, 2005, *Wisconsin Works (W-2) Program*, outside of Milwaukee County, the CNI caseload has increased from 265 in June, 1998, to 818 in June, 2004. W-2 agencies attributed the increase to a higher number of women using the CNI grants as paid maternity leave after they left jobs that did not provide that type of fringe benefit. As a result, many of these women did not require employment services and moved into unsubsidized employment after 12 weeks, rather than into a W-2 employment position. According to the report, approximately 50% of CNI grant recipients from January, 2004, through June, 2004, were never placed in any other W-2 placement.

15. However, the administration does assume that there would be child care subsidy savings for the portion of the extra CNI grant recipients that would otherwise receive child care subsidies to participate in work activities, education and training activities, job search, and orientation activities required under W-2. 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 approximately 23% and that the average subsidy cost per month would be \$611.97 in 2005-06 and \$618.09 in 2006-07. The administration estimates the savings will total \$757,800 in 2005-06 (January 1, 2006, through June 30, 2006) and \$1,530,700 in 2006-07.

16. 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 1,183 and an extra CNI caseload of 1,183, beginning January 1, 2006. 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 42.5% for W-2 participants with children under six months) and an average subsidy cost of \$1,100 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 \$1,100 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. As shown below, compared to current law, net savings of the provision are projected at \$577,300 in 2005-06 and \$1,154,600 in 2006-07. Therefore, the amounts under the bill could be increased by \$180,500 in 2005-06 and \$376,100 in 2006-07 to reflect these estimated costs, for a total increase of \$566,600 over the biennium.

**TABLE 1**

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

	<u>Governor</u>		<u>Reestimate</u>		<u>Difference</u>	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
W-2 Benefits	\$0	\$0	\$2,743,200	\$5,486,500	\$2,743,200	\$5,486,500
Child Care Subsidies	<u>-757,800</u>	<u>-1,530,700</u>	<u>-3,320,500</u>	<u>-6,641,100</u>	<u>-2,562,700</u>	<u>-5,110,400</u>
Net Savings	-\$757,800	-\$1,530,700	-\$577,300	-\$1,154,600	\$180,500	\$376,100

17. To 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 \$585.80 per month. The reduced grant level would be equal to the current average grant earned by participants in W-2 employment positions of \$585.80 per month. The projected savings under this alternative would be \$1,196,200 in 2005-06 and \$2,392,500 in 2006-07, including: (a) an increase in W-2 benefit costs for CNI grants of \$2,124,300 in 2005-06 and \$4,248,600 in 2006-07; and (b) child care subsidy savings of \$3,320,500 in 2005-06 and \$6,641,100 in 2006-07. Compared to the bill, costs would decrease by \$438,400 in 2005-06 and \$861,800 in 2006-07, for a biennial savings of \$1,300,200. Other similar options could also be constructed.

18. As noted above, AB 100 would prohibit W-2 agencies from requiring CNI grant recipients to participate in a W-2 employment position when the infant is up to 12 weeks old. The W-2 agency would have the option of requiring participation from weeks 13 to 26. Therefore, if no

additional funding is provided for benefits for the W-2 agencies, the W-2 agencies may require CNI grant recipients to participate in W-2 activities when the infant turns 13 weeks old, as occurs under current law, as an incentive for these custodial parents to return to the workforce. Because approximately half of the current CNI grant recipients return to the workforce rather than be placed into a W-2 employment position, it is likely that a similar number of women may return to the workforce rather than be required to participate in a W-2 employment position.

19. The administration assumes that all participants eligible for the extended CNI grant would receive the CNI grant. The Committee could prohibit W-2 agencies from requiring CNI grant recipients to participate in W-2 employment activities until the infant is 26 weeks old to ensure that CNI grant recipients would receive the grant for the full 26 weeks.

20. Alternatively, the Committee could provide funding to cover 50% of benefits to reflect that W-2 agencies would require CNI grant recipients to participate in W-2 employment positions when the infants turn 13 weeks old, which would likely lead to decreased participation. In addition, the Committee may also want to increase funding for child care subsidies to reflect that 50% of CNI grant recipients could participate in W-2 employment positions and need child care after the infant turns 13 weeks old. Compared to current law, the projected net savings under this alternative would be \$288,700 in 2005-06 and \$577,300 in 2006-07, including: (a) an increase in W-2 benefit costs for CNI grants of \$1,371,600 in 2005-06 and \$2,743,200 in 2006-07; and (b) child care subsidy savings of \$1,660,300 in 2005-06 and \$3,320,500 in 2006-07. Compared to the bill, costs would increase by \$469,100 in 2005-06 and \$953,400 in 2006-07, for a biennial increase of \$1,422,500.

21. Finally, the bill would make receipt of CNI grants count as participation for purposes of time limits beginning with grants received on January 1, 2006. 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.

22. 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**

### **A. Funding Level**

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, 2006, and increase funding provided under the bill by \$180,500 in 2005-06 and \$376,100 in 2006-07 to reflect a reestimate of the savings under the bill. Compared to current

law, projected net savings under this alternative would total \$577,300 in 2005-06 and \$1,154,600 in 2006-07, including: (a) increased funding of \$2,743,200 in 2005-06 and \$5,486,500 in 2006-07 for W-2 benefits; and (b) reduced funding of \$3,320,500 in 2005-06 and \$6,641,100 in 2006-07 for child care subsidies.

<b><u>Alternative A1</u></b>	<b><u>FED</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	\$566,600

2. Amend 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 on January 1, 2006, to reduce the monthly W-2 grant paid to custodial parents of newborn infants between the ages of 13 weeks and 26 weeks from \$673 provided under the bill to \$585.80. The current CNI grant level of \$673 per month would be maintained for custodial parents of infants up to 12 weeks old. Compared to the bill, reduce funding by \$438,400 in 2005-06 and by \$861,800 in 2006-07, for a biennial decrease of \$1,300,200. Compared to current law, projected net savings under this option would total \$1,196,200 in 2005-06 and \$2,392,500 in 2006-07, including: (a) an increase in W-2 benefit costs for CNI grants of \$2,124,300 in 2005-06 and \$4,248,600 in 2006-07; and (b) child care subsidy savings of \$3,320,500 in 2005-06 and \$6,641,100 in 2006-07.

<b><u>Alternative A2</u></b>	<b><u>FED</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,300,200

3. 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 on January 1, 2006, but assume that W-2 agencies would require parents to participate in W-2 employment positions from weeks 13 to 26. Compared to the bill, provide additional funding of \$469,100 in 2005-06 and \$953,400 in 2006-07. Compared to current law, the projected net savings under this alternative would be \$288,700 in 2005-06 and \$577,300 in 2006-07, including: (a) an increase in W-2 benefit costs for CNI grants of \$1,371,600 in 2005-06 and \$2,743,200 in 2006-07; and (b) child care subsidy savings of \$1,660,300 in 2005-06 and \$3,320,500 in 2006-07.

<b><u>Alternative A3</u></b>	<b><u>FED</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	\$1,422,500

4. Delete provision and restore funding of \$757,800 in 2005-06 and \$1,530,700 in 2006-07.

<b><u>Alternative A4</u></b>	<b><u>FED</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	\$2,288,500

## **B. Prohibition of Required Participation**

In addition to Alternatives A1, A2, or A3:

1. Adopt the Governor's proposal to prohibit W-2 agencies from requiring participation in a W-2 employment position for recipients of caretaker of newborn infant grants while the infant is 12 weeks old or less, but allow W-2 agencies to require participation when the infant is between 13 weeks and 26 weeks old.
2. Modify the Governor's proposal to prohibit W-2 agencies from requiring participation in a W-2 employment position for recipients of caretaker of newborn infant grants.

## **C. Time Limits**

In addition to Alternatives A1, A2, or A3:

1. Adopt the Governor's proposal to make receipt of caretaker of newborn infant grants count as participation for purposes of time limits beginning with grants received on January 1, 2006.
2. 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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