



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #888

### **Real Work, Real Pay Demonstration Project (DWD -- Economic Support and Child Care)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 609, #6]

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#### **CURRENT LAW**

Local Wisconsin Works (W-2) agencies assign W-2 participants to either unsubsidized employment or one of three types of subsidized employment. Placement in unsubsidized employment takes precedence over placement in subsidized employment. If a W-2 agency determines that placement in an unsubsidized job is inappropriate, the individual is placed in a subsidized employment position. Types of subsidized employment, which are described below, include the following, in order of priority placement: trial jobs, community service jobs (CSJs), and transitional placements. All subsidized employment benefits are paid by W-2 agencies.

*Trial Jobs.* Trial jobs provide work experience and training to assist W-2 participants to move into unsubsidized employment. Under a trial job placement, the employer is required to pay the W-2 participant at least minimum wage (either state or federal, whichever is applicable), provide worker's compensation coverage, and make good faith efforts to retain the participant as a permanent, unsubsidized employee after the wage subsidy is terminated. The W-2 agency pays a wage subsidy to the employer, not exceeding \$300 per month for full-time employment. Subsidies are prorated to reflect the actual hours worked if hours are missed or if employment is less than full-time. There is no maximum number of work hours. Trial jobs may include education and training activities prescribed by the employer as an integral part of the work performed in the placement. The hours spent in these education and training activities are included in determining the number of hours of work. Participation is limited to three months, which may be extended on a case-by-case basis for up to 24 months.

*Community Service Jobs.* Community service jobs provide work experience and training to assist participants to move into unsubsidized employment or trial jobs. CSJs are limited to projects that the Department of Workforce Development (DWD) determines serve a useful public purpose, or to projects for which the cost is partially, or wholly, offset by revenue generated by such projects. Participants may be required to work up to 30 hours per week. CSJs may include education and training activities assigned as part of an employability plan. Generally, education and training activities are limited to 10 hours per week, for a total of up to 40 hours per week for both work and education and training activities. CSJ participants receive a \$673 monthly grant paid by the W-2 agency. The grant is reduced by \$5.15 for every hour of work, education, or training missed without good cause. Benefits are prorated for individuals who work less than 20 hours per week. Generally, participation in a CSJ is limited to six months. Individuals may participate in more than one CSJ, but generally may not exceed 24 months in combined CSJ participation, which may be extended on a case-by-case basis.

*Transitional Placements.* W-2 transitional placements are for individuals who have additional barriers to employment, and who are determined to meet one or more of the following eligibility requirements: (a) on the basis of an independent assessment by the Division of Vocational Rehabilitation in DWD or a similar agency or business, it is determined that the individual has been, or will be, incapacitated for at least 60 days; (b) the individual is needed at home because of illness or incapacity of another member of the W-2 group; or (c) the individual is incapable of performing a trial job or a CSJ. Persons assigned to transitional placements are assigned work activities, such as a community rehabilitation program, a job similar to a CSJ, or a volunteer activity. Placements may also include the same education and training activities as allowed for a CSJ. In addition, a participant may be required to participate in certain types of counseling, therapy, or other activities that the W-2 agency believes are consistent with the individual's capabilities. Generally, transitional placements may be required to engage in work activities (including counseling or other activities) for up to 28 hours per week, and to participate in education and training for up to 12 hours per week, for a total of up to 40 hours per week. Transitional placement participants receive a monthly grant of \$628 paid by the W-2 agencies. As with CSJs, benefits are reduced by \$5.15 for each hour of required activity missed, without good cause, and prorated if the individual participates less than full-time. Generally, participation in a transitional placement is limited to 24 months, which need not be consecutive, and may be extended on a case-by-case basis.

Persons in CSJs and transitional placements may be allowed to allocate more than the maximum hours per week for education in order to participate in a technical college program under the following circumstances: (a) the W-2 agency, in consultation with the community steering committee required under W-2, and the technical college district board, determines that the technical college education program is likely to lead to employment; (b) the participant maintains full-time status in the technical college education program and regularly attends all classes; (c) the participant maintains a grade point average of at least 2.0, or the equivalent; and (d) the participant is employed or engages in a CSJ or transitional placement for at least 25 hours per week.

While participation in each type of employment position is limited to a maximum of 24 months, which need not be consecutive, DWD or a W-2 agency may grant an extension to the 24-month time limit on a case-by-case basis. The total length of time an individual who is 18 years of age or older, or any adult in the individual's W-2 group, may participate in W-2 employment positions is limited to 60 months, which need not be consecutive. The 60-month limit may be extended only if the W-2 agency determines, in accordance with DWD rules, that unusual circumstances exist that warrant an extension.

*Learnfare.* Under current law, an individual who is a dependent child in a W-2 group that includes a participant placed in a trial job, community service job, or transitional job is subject to the school attendance requirement under Learnfare and subject to a monthly sanction for failing to comply with the requirement. Under the Learnfare attendance requirement, the child must be enrolled in school, or must have been enrolled in the immediately preceding semester. In addition, habitual truants, dropouts, and students not enrolled in school must participate in case management services.

*Children First.* Under current law, Children First may provide the kinds of work experience and job training services available from W-2 trial jobs, community service jobs, or the former job opportunities and basic skills program. Children First is a work experience and job training program for noncustodial parents who fail to pay child support to meet their children's needs for support as a result of unemployment or underemployment.

*EITC and Homestead.* Under current law, participants in CSJs and transitional placements under W-2 do not qualify for the federal or state earned income tax credit (EITC) because they receive monthly grants rather than wages. Under the current homestead credit provisions, property taxes or rent used in calculating the credit must be reduced by one-twelfth for each month in which an individual participates in a W-2 CSJ or a transitional placement. Participants in trial jobs qualify for the federal and state EITC and for the homestead credit under current law.

## **GOVERNOR**

Provide \$194,800 FED in 2007-08 and \$1,677,300 FED in 2008-09, and 1.0 position, beginning in 2007-08, to establish a real work, real pay demonstration project. Of these amounts, \$61,900 in 2007-08 and \$82,500 in 2008-09 would fund a project position to administer the demonstration project and \$132,900 in 2007-08 and \$1,594,800 in 2008-09 would fund the additional wage subsidies and employer reimbursements associated with the demonstration project.

Require DWD to conduct and evaluate the real work, real pay pilot project from January 1, 2008, to December 31, 2009. The pilot project would include the following provisions:

*Participants.* Limit the project to 500 individuals.

*Location.* Conduct the project in at least one of the W-2 geographical areas established by DWD in Milwaukee County and in at least two geographical regions outside of Milwaukee County.

*Wage Subsidy.* Require a W-2 agency to pay a wage subsidy to a participating employer in an amount that does not exceed the federal minimum wage [currently \$5.15 per hour (if enacted, federal legislation would increase the federal minimum wage to \$5.85, 60 days after enactment, to \$6.55 one year later, and to \$7.25 one year after that)] for no more than 30 hours per week. Wage subsidy payments would continue until the participant completes participation in the pilot project, for any participant who is accepted into the program before December 31, 2009. Worksite training activities prescribed by the employer consistent with training provided to other employees at the worksite would be considered work for purposes of calculating the wage subsidy.

*Employer Reimbursement.* Require the W-2 agency, in addition to the wage subsidy, to reimburse the employer for up to 100% of all of the following costs related to the participant's employment: (a) federal social security taxes; (b) state and federal unemployment contributions or taxes, if any; and (c) worker's compensation insurance premiums, if any. Reimbursement of these costs would continue until the participant completes the pilot project, for any participant accepted into the program before December 31, 2009.

*Employers.* Require an employer that employs an individual and receives a wage subsidy to agree to make a good faith effort to retain the individual as a permanent unsubsidized employee after the wage subsidy ends if the individual successfully completes participation. If the participant were not retained, the employer would be required to agree to serve as an employment reference for the individual or provide to the W-2 agency a written performance evaluation of the participant, including recommendations for improvements.

*Mentors and Stipends.* Require the W-2 agency and the employer of an individual to work together to find a mentor for the individual at the work site. The W-2 agency would be required to pay each mentor a stipend of \$50.

*Time Limits.* Limit participation in the pilot project to a maximum of six months. Participation could be extended for up to three months.

*Learnfare Attendance Requirement.* Expand school attendance requirements in Learnfare and sanctions for failing to comply with the school attendance requirements to include dependent children of pilot project participants.

*Children First.* Expand the kinds of work experience and job training services that Children First may provide to include activities under the pilot project.

*Trial Jobs and Real Work, Real Pay.* Apply all provisions of the statutes related to the trial job program to the real work, real pay pilot project. As a result, the employer would provide worker's compensation coverage, the participant would have to meet the nonfinancial and

financial eligibility requirements of other W-2 employment placements, and the participant would receive at least minimum wage.

*Rules Exemption.* Specify that the statutory definition of rule would not apply to the pilot project. As a result, DWD would not be required to promulgate administrative rules regarding the real work, real pay pilot project.

*Delete Nonstatutory Provision.* Delete a nonstatutory provision in 2003 Act 33 that directed the DWD Secretary to continue the creation and implementation of a subsidized W-2 work program. This provision referred to a new work category under W-2--transitional subsidized private sector jobs.

*EITC and Homestead.* Although the federal Internal Revenue Service would make the ultimate determination, the administration believes that participants in the pilot project would qualify for the federal EITC. If that is the case, participants would also qualify for the state EITC. Participants would also qualify for the state homestead tax credit, regardless of whether they qualify for the EITC.

*Development Zones Tax Credits.* Specify that the wage subsidies and other reimbursements received by an employer of a real work, real pay participant would have to be subtracted in determining the amount of development zone jobs credit that could be claimed by the employer for members of target groups. This treatment applies to the wage subsidy provided under the current trial jobs program.

## **DISCUSSION POINTS**

1. SB 40 specifies that the wage subsidies and other reimbursements received by an employer of a real work, real pay participant would have to be subtracted in determining the amount of development zone jobs credit that could be claimed by the employer for members of target groups. However, SB 40 modified statutory sections for development zones jobs credit that cannot be claimed for taxable years beginning on or after January 1, 1998. Therefore, the administration requests a technical correction to delete sections of SB 40 that would have modified these statutory sections.

2. Federal rules regarding the temporary assistance for needy families (TANF) block grant authorize states to pay wages and provide supportive services to recipients in lieu of a cash grant. These subsidized employment programs are generally called transitional job programs. In Wisconsin, there is currently a W-2 employment placement referred to as a W-2 transitional placement. However, as indicated above, the W-2 transitional placement is intended for participants who have more extensive barriers to employment than other TANF participants. Instead, in Wisconsin, the trial jobs component of W-2 most closely resembles a transitional job program.

3. While programs vary, the main premise of transitional job programs is that the jobs are real jobs in which participants earn an hourly wage from their employer. Because participants

earn a wage instead of a grant, as is the case under other welfare-type programs, they are eligible to receive the federal earned income tax credit.

4. Transitional jobs programs also tend to have the following characteristics: (a) provide a realistic experience of looking for and holding a job; (b) participants are closely monitored to ensure they have real responsibilities, receive training, and make real contributions to their employers; (c) are limited in time so that participants have an opportunity to gain marketable experience and skills, without losing incentive to find permanent employment; and (d) work is often concentrated in non-profit organizations, because the organizations are willing to provide supervision and training to participants in exchange for employees that they would not otherwise be able to afford.

5. Proponents of transitional jobs programs indicate that participation in a real employment experience, in addition to drawing additional income through the earned income tax credit, allows participants to: (a) obtain a work history; (b) increase job skills; (c) earn higher wages upon program completion; and (d) have psychological benefits from being treated like any other worker, as opposed to a welfare recipient. According to the National Transitional Jobs Network website, participants in transitional jobs receive an hourly wage from \$5.15 to \$8.00, and 50% to 70% attain permanent employment.

6. In Wisconsin, the trial jobs placement was created under the W-2 program as a step in the W-2 ladder to provide individuals with private sector employment experience to help them obtain unsubsidized employment. However, because the trial job program has had very low participation, the program has failed to provide W-2 participants the bridge to unsubsidized employment that was intended.

7. The Governor's 2003-05 budget bill introduced a new work category under W-2, called subsidized private sector transitional jobs. This work category was intended to be an additional way to reach the overall goal of W-2 to help low-income adults secure unsubsidized employment in the private sector and increase their earnings. This would have been a permanent work category, rather than a demonstration project. Transitional subsidized private sector jobs would have reimbursed employers for wages, federal social security taxes, state and federal unemployment contributions or taxes, worker's compensation insurance premiums, liability insurance premiums, and supervisory costs and other overhead. Participants would have been paid minimum wage for the hours worked, for a maximum of 30 hours per week, and would have qualified for the EITC and homestead tax credit.

8. The Legislature deleted this proposal for transitional subsidized private sector jobs. Instead, the Legislature directed a DWD taskforce to continue its work reviewing and researching the creation and implementation of this work category and submit separate legislation based on its findings and recommendations. The Governor vetoed the requirement that the DWD taskforce continue to review and research the creation and implementation of a subsidized work program and propose legislation. The veto, through a nonstatutory provision, directed the Secretary of DWD to continue the creation and implementation of a subsidized work program under W-2.

9. Subsequently, under s. 13.101(3) of the statutes, the Joint Committee on Finance adopted a motion directing DWD to discontinue implementation of this program unless separate legislation was enacted that specified eligibility criteria, employer reimbursements, details regarding the employer-employee relationship between the participant and the employer, and other program parameters. The Governor vetoed this action, but the Committee overrode the Governor's veto.

10. The Governor's 2005-07 budget bill would have implemented a similar program as a demonstration project, the trial jobs plus demonstration project. Rather than establishing a permanent work category, the bill would have established this project in three of the state's geographic areas, one in Milwaukee County, for 1,000 participants from January 1, 2006, through June 30, 2007. A framework for the demonstration project would have been established, but the details for implementation of the demonstration were left to DWD. The Legislature deleted this proposal for a trial jobs plus demonstration project.

11. SB 40 would implement a similar pilot project, the real work, real pay demonstration project. The real work, real pay pilot project would also be established in three of the state's geographic areas, including one in Milwaukee County. However, the real work, real pay pilot project would include 500 participants from January 1, 2008, through December 31, 2009.

12. DWD indicates that the Department would publish a call for interested agencies to participate in the early fall of 2007. The call would include asking agencies for an estimate of how many participants they expect. DWD anticipates allowing all interested agencies to operate a real work, real pay program. If agency interest is high and it would be necessary to limit access in order to limit participation to 500, then DWD would develop criteria for selecting the agencies to participate.

13. The current trial job placement under the W-2 program is similar to the real work, real pay demonstration project in that it is intended to give participants real work experience in the private sector. Under the trial jobs placement, W-2 agencies pay a wage subsidy to the employer of \$300 per month, for full-time employment. The employer is required to pay the individual at least minimum wage, and make a good faith effort to retain the participant as a permanent, unsubsidized employee after the wage subsidy is terminated.

14. As of March, 2007, there were only 16 participants in trial jobs, out of a total cash benefits caseload of 6,047. According to DWD, employers have not been interested in trial jobs because: (a) employers find the paperwork involved extensive; (b) the \$300 monthly wage subsidy does not cover costs of hiring W-2 participants and does not compensate for the extra time employers might have to spend with W-2 participants because of additional problems they may bring to the workplace; and (c) some participants lack necessary job skills.

15. Proponents of the real work, real pay pilot project indicate that it could fill the gap of the trial job placement in the W-2 program. Because employers would be reimbursed for a greater portion of their costs of employing the W-2 participant, more employers would be interested in the program.

16. DWD indicates that the real work, real pay pilot project could advance aggressive efforts to quickly attach participants to the workforce and would enhance the existing trial jobs program to provide added incentives for employers to serve as trial job worksites and to make trial job participation a more effective path to permanent unsubsidized employment. These enhancements would include: (a) extending the time limit from three months for a trial job to six months for a real work, real pay placement (both can be extended by an additional three months); and (b) increasing the subsidy payable to the trial job employer from \$300 per month to a monthly amount that will cover most of the participant's wages [maximum of 30 hours per week at the federal minimum wage, currently at \$5.15 per hour (if enacted, federal legislation would increase the federal minimum wage to \$5.85 60 days after enactment, \$6.55 one year later, and \$7.25, one year after that)], federal social security taxes, unemployment insurance contributions, and worker's compensation premiums.

17. DWD also indicates that the pilot project would allow a limited testing of the overall concept of a real work, real pay work category with the ability to identify potential implementation challenges before it would become a permanent, statewide program.

18. The bill provides \$194,800 in 2007-08 and \$1,677,300 in 2008-09, and 1.0 position, beginning in 2007-08, to establish the real work, real pay pilot project. Of these amounts, \$61,900 in 2007-08 and \$82,500 in 2008-09 would fund a project position to administer the real work, real pay pilot project, and \$132,900 in 2007-08 and \$1,594,800 in 2008-09 would fund W-2 wage subsidies and employer reimbursements under the pilot project. DWD assumes that there would be: (a) 50 participants in 2007-08 (from January 1, 2008, through June 30, 2008); (b) 350 participants in 2008-09; and (c) 100 participants in 2009-10. The pilot project would be conducted from January 1, 2008, through December 31, 2009. SB 40 provides funding for 400 participants in the 2007-09 biennium. Funding for the final 100 participants in 2009-10 would be funded under the 2009-11 biennial budget.

19. It is assumed that the 500 participants in the real work, real pay pilot project would otherwise be placed in a CSJ if there were no pilot project. As noted above, employers would be provided wage subsidies for a maximum amount of the employee's wages for 30 hours per week at a minimum wage and would be reimbursed for up to 100% of the following: (a) federal social security taxes; (b) state and federal unemployment contributions or taxes, if any; and (c) worker's compensation insurance premiums, if any. The table below compares the estimated cost of a participant placed in the pilot project to the estimated cost of placing the participant into a CSJ. The comparison addresses the costs to W-2 only. Therefore, costs due to the EITC and the homestead credit are not included. The estimate assumes an average benefit for the CSJ participant of \$587.80 and assumes the maximum wage subsidy and reimbursements allowable under the pilot project. Because participation in the pilot project is limited to six months, the costs are projected over a six-month period.



**TABLE 1**

**Cost Comparison Between Community Service Jobs (CSJ) and Real Work, Real Pay (RWRP)  
(Six Month Placement)**

	<u>CSJ</u>	<u>RWRP</u>
Cash Benefit	\$3,527	\$0
Wage Subsidy	0	4,028
Payroll Taxes	0	509
Worker's Compensation	141	266
Unemployment Insurance	0	199
Mentoring Fee	0	300
Local Administration	<u>0</u>	<u>30</u>
Total	\$3,668	\$5,332

20. As shown in Table 1, it would cost \$1,664 more per participant to place a W-2 participant in a real work, real pay position rather than a CSJ position. Therefore, for 400 participants (the number that would participate during the 2007-09 biennium), it would cost an additional \$665,600. The Committee could reduce funding for the real work, real pay pilot project to reflect a cost of \$665,600, rather than \$1,727,700 provided under the bill. Assuming 50 participants in 2007-08, as the pilot project is implemented, and 350 participants in 2008-09, the Committee could reduce funding by \$49,700 in 2007-08 and \$1,012,400 in 2008-09. This alternative assumes that there would not be a reduction to CSJ caseloads in the 2006-2009 W-2 agency contracts due to the pilot project, as estimated in a separate budget paper.

21. It should be noted that SB 40 would provide the funding for wage subsidies and employer reimbursements under the real work, real pay pilot project in the statutory allocation for W-2 "services." However, for trial jobs, similar reimbursements are provided under the allocation for W-2 "benefits," rather than W-2 "services." Therefore, the funding should be placed in the W-2 benefits allocation, rather than the W-2 services allocation.

22. As indicated above, under the real work, real pay pilot project, participants would be paid a wage by the employer for no more than 30 hours per week. Because participants would earn wages instead of a grant, participants could be eligible for the federal earned income tax credit.

23. While the ultimate determination as to whether the wages under the program would qualify for the EITC would be made by the federal Internal Revenue Service, based on a 1999 notice issued by the IRS and information regarding similar programs in other states, it does appear that real work, real pay wages would qualify for the EITC. Drawing these funds would not only benefit the individuals, but also local and state economies. Since the program would begin January 1, 2008, most of the additional federal revenues would not be realized until state fiscal year 2008-09. Based on a caseload of 220 participants in the period from January, 2008, to December, 2008, the amount of federal EITC funds that would be brought into the state could potentially total

\$750,000 in 2008-09.

24. Under current law, full-year Wisconsin residents who are eligible for the federal EITC are also eligible for the state EITC. In addition, participants under the proposed program would also qualify for the state homestead tax credit. Current homestead tax provisions provide that property taxes or rent used in calculating the credit must be reduced by one-twelfth for each month in which an individual participates in a CSJ or a W-2 transitional placement. This provision would not apply to participants under the proposed real work, real pay pilot project.

25. The table below compares the disposable income for a household with two children (the current average number of children per W-2 assistance group) under: (a) a current CSJ placement, assuming the individual participates full-time and is not sanctioned; and (b) the proposed real work, real pay placement (at \$6.50 per hour--the state's minimum wage). The estimates assume that the family uses full-time licensed day care for both children. The figures below are based on six months because that is the time limit for the real work, real pay placement.

**TABLE 2**

**Comparison of Disposable Income Under a Community Service Job Placement Under Current Law with the Proposed Real Work, Real Pay Placement and Unsubsidized Employment (Six Month Placement)**

	Current CSJ <u>Placement</u>	Real Work, Real Pay Demonstration <u>Project</u>
Grant	\$4,038	N.A
Wages	N.A.	\$5,084
Payroll Taxes	N.A.	-389
Federal EITC	N.A.	2,034
State EITC	N.A.	285
Homestead Credit	N.A.	384
Food Stamps	1,932	1,461
Child Care Copay	<u>-234</u>	<u>-234</u>
Disposable Income	\$5,736	\$8,625

26. As shown in the table, participants in a real work, real pay placement paying \$6.50 per hour would have 50% more in disposable income than under a current CSJ placement. The additional income is primarily due to the federal and state EITC and the state homestead credit.

27. There may be concerns that the real work, real pay program would eliminate incentives that exist in the current W-2 program to obtain unsubsidized employment. However, the real work, real pay placement would be limited to six months.

28. In addition, there is some evidence that suggests a real work, real pay placement

would allow participants to obtain higher-paying unsubsidized jobs than under the current W-2 program and a higher percentage of real work, real pay participants would move into unsubsidized employment than under the current W-2 program. A 2004 study by EnSearch compared outcomes for a multi-site transitional jobs program with random samples of participants in the Minnesota Family Investment Program (Minnesota's TANF program). The study documented the numerous barriers to employment for the sample population and concluded that paid transitional work experience provides a successful strategy for moving individuals with multiple barriers who have not been successful in traditional employment services to unsubsidized employment. The highest percentage of those working at the time of the study came from the transitional jobs program at 54.3%. In addition, the median wage for participants in the transitional jobs program was approximately \$9 per hour, while the median wage for other TANF work participants was \$7.79 per hour.

29. It should be noted that funding estimates for the state EITC and the homestead tax credit under the bill do not include increased funding to reflect additional persons who would be eligible under the real work, real pay pilot project. Because the project would not begin until January 1, 2008, claims for these credits would not be filed until the spring of 2009 (fiscal year 2008-09). Based on a participation level of 220 in calendar year 2008, the estimated increased cost of the credits in 2008-09 would be approximately \$150,000 for the EITC and \$160,000 for the homestead tax credit, for a total cost compared to the bill of \$310,000.

30. While TANF funding could be used for the additional EITC costs, given that TANF funding for EITC has already been reduced under SB 40 due to increased costs in other TANF programs, GPR or some other state funding source would be required. TANF funding cannot be used for the homestead tax credit, and therefore, GPR would be required.

31. The Committee could reduce the cost of the proposed real work, real pay pilot project to the state by providing that persons in a real work, real pay placement would not be eligible for the state EITC or homestead tax credit. While this would reduce the disposable income for individuals who participate in the program, their disposable income would still be about 39% higher than under a CSJ placement due to the federal EITC.

32. However, excluding individuals who participate in the real work, real pay pilot project from the state EITC would require a separate schedule on the state income tax form, and complicate the administration of the credit. Excluding such individuals from the homestead tax credit would not be expected to complicate administration of the credit.

33. Finally, as indicated, implementation of a real work, real pay program would be a pilot project in three geographic areas that would last 24 months. The issue of whether to implement a real work, real pay program statewide or on a permanent basis would depend on the results of the pilot project. The Committee could require DWD to prepare a report that would include the actual costs of the real work, real pay program, the rates of attachment to the workforce, and the rates at which participants return to the W-2 program and provide the report by June 30, 2010, to the Governor and to the chief clerk of each house of the Legislature.

**ALTERNATIVES TO BILL**

1. Adopt the Governor's proposal to require DWD to conduct and evaluate a real work, real pay pilot project program from January 1, 2008, through December 31, 2009, and adopt either of the following:

a. Reestimate the EITC and homestead credit by providing \$310,000 GPR in 2008-09 to fund the estimated cost of the EITC and homestead tax credit for participants in the real work, real pay demonstration project as follows: (a) \$150,000 in 2008-09 for the EITC; and (b) \$160,000 in 2008-09 for the homestead tax credit.

ALT 1a	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
GPR	\$310,000	0.00	\$310,000	0.00
FED	<u>0</u>	<u>0.00</u>	<u>1,872,100</u>	<u>1.00</u>
Total	\$310,000	0.00	\$2,182,100	1.00

b. Provide that individuals in the real work, real pay pilot project would not be eligible to receive the state EITC and homestead credit.

ALT 1b	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	\$0	0.00	\$1,872,100	1.00

2. In addition to Alternative 1a or 1b, modify the Governor's proposal to reduce funding for the 2006-2009 W-2 agency contracts for the agencies that participate in the real work, real pay pilot project by \$49,700 FED in 2007-08 and \$1,012,400 FED in 2008-09 to fund 400 participants in the real work, real pay pilot project based on the assumption that it would cost \$1,664 more per participant to place an individual in the real work, real pay pilot project than it would to place the individual in a CSJ. Under this alternative, funding for wage subsidies and employer reimbursements would total \$83,200 in 2007-08 and \$582,400 in 2008-09. As under the Governor's bill, \$61,900 FED in 2007-08 and \$82,500 FED in 2008-09 would also be provided to support 1.0 FED position to administer the real work, real pay pilot project.

ALT 2	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	-\$1,062,100	0.00	\$810,000	1.00

3. Require DWD to prepare a report regarding the results of the real work, real pay pilot project, which would include the costs of the real work, real pay pilot program, the rates of attachment to the workforce, and the rates at which participants return to the W-2 program, and

require DWD to provide the report to the Governor and to the chief clerk of each house of the Legislature no later than June 30, 2010.

4. Delete sections of SB 40 that modify statutory sections for development zones jobs credit that cannot be claimed for taxable years beginning on or after January 1, 1998.

5. Delete provision.

ALT 5	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	-\$1,872,100	- 1.00	\$0	0.00

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