



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #201

### **Statewide Expansion of Transform Milwaukee and Transitional Jobs (Children and Families -- TANF and Economic Support)**

[LFB 2021-23 Budget Summary: Page 86, #4]

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#### **CURRENT LAW**

The Transform Milwaukee program offers subsidized work to low-income individuals in the City of Milwaukee for up to 1,040 hours (six months, full-time) and provides employers with a wage subsidy to offset their hiring costs. The program also offers training to provide job skills to individuals that match employers' needs. In contrast with Wisconsin Works, childless individuals may qualify for the Transform Milwaukee program, and the income eligibility limit is higher [150% of the federal poverty level (FPL), compared to 115% of the FPL under Wisconsin Works).

Subsequent to the enactment of the Transform Milwaukee program, 2013 Act 113 authorized DCF to establish a similar program in areas outside Milwaukee, to the extent funding is available. DCF must give priority to areas with relatively high rates of unemployment and childhood poverty and other areas with special needs that DCF prioritizes. The same eligibility and program requirements apply to both programs.

The programs are pool funded with \$8,500,000 in 2019-20 and \$9,500,000 in 2020-21 from the federal temporary assistance for needy families (TANF) block grant. There were 362 participants in Transitional Jobs in federal fiscal year 2019-20 and 196 participants in September, 2020. There were 898 participants in Transform Milwaukee jobs in federal fiscal year 2019-20 and 486 participants in September, 2020.

Under the programs, the Department of Children and Families (DCF) may reimburse an employer or contractor for a minimum of 20 hours per week for any of the following costs that are attributable to the employment of an eligible individual: (a) a wage subsidy equal to the amount of wages paid to the individual for hours actually worked, not to exceed 40 hours per week at the

applicable federal or state minimum wage; (b) federal social security and Medicare taxes; (c) state and federal unemployment taxes; and (d) worker's compensation insurance premiums. An employer or, subject to DCF's approval, a contractor, may pay a participant an amount that exceeds the wage subsidy. Participants can work in the program for a maximum of 1,040 hours.

The main goals of the Transform Milwaukee and Transitional Jobs programs are to: (a) assist parents to gain stable unsubsidized employment; (b) increase child support payments through stable unsubsidized employment; (c) support reunification plans with children by enhancing parental capabilities and long-term child safety through stable unsubsidized employment; and (d) help foster youth live independently through stable unsubsidized employment. The programs assist participants facing disadvantages and barriers to employment, such as youth lacking formal education or work experience.

DCF contracts with four organizations -- Community Action, Inc., the Northwest Wisconsin Concentrated Employment Program, Inc., UMOS, Inc., and Workforce Resources, Inc. -- to administer the programs in eight geographic regions of the state covering 34 counties.

The program proceeds in four phases. First, the contracting agencies review applications to determine if an applicant meets the program eligibility requirements. Agencies must inform and provide basic information about other programs, including FoodShare, Wisconsin Shares child care subsidies, and Wisconsin Works.

Second, eligible participants enter the orientation phase, whereby agencies assess participants and create an employability plan based on the participant's goals and abilities. Orientation activities prepare individuals for employment in a subsidized job, including trainings on resume writing, workplace expectations, and job readiness skills. Participants may qualify for stipends for participating in orientation activities, not to exceed the minimum wage for each hour of participation for up to 40 hours per week. Orientation hours do not count towards the maximum of 1,040 hours worked in a subsidized job.

Third, participants are placed in subsidized employment at a host worksite to earn pay and acquire skills, references, and experience needed to obtain unsubsidized employment. Agencies negotiate agreements with employers to provide a wage subsidy of no more than the state or federal minimum wage (\$7.25 per hour) and may also agree to reimburse payroll taxes and insurance attributable to employment of a participant. Employers must pay at least the minimum wage to participants. Participants are required to work at least 20 hours a week, and may work for more than 40 hours a week, but such hours are not subsidized. Participants may work for an overall maximum of 1,040 hours in a subsidized job. Agencies assist participants to successfully complete the period of subsidized employment. If the subsidized job is not a successful match, the agency reassesses the participants and attempts to make another match, including any additional orientation activities that would prepare the participant for a new worksite. The participant is not be eligible for additional stipends for orientation activities, however.

Fourth, in the post-subsidized employment phase, agencies provide up to 60 days of job search assistance and retention services to assist individuals to find and secure unsubsidized employment.

Transform Milwaukee and Transitional Jobs have two target populations: the general public and the former out-of-home care population. DCF contracts with UMOS to serve the general population and with the Milwaukee Area Workforce Development Board to serve the out-of-home care population. To be eligible to participate in the program, an individual must: (a) be at least 18 years of age; (b) if older than 25 years of age, be a parent of a child under age 18 or be a relative and primary caregiver of a child under age 18; (c) have an annual household income below 150% of the FPL; (d) be unemployed for at least four weeks; (e) be ineligible to receive unemployment insurance benefits; (f) not be participating in a W-2 employment position; and (g) satisfy drug abuse screening, testing, and treatment requirements.

Furthermore, pursuant to the Transform Milwaukee policy manual, individuals that meet the eligibility requirements must be either a young, childless adult between 18 to 25 years of age, or a parent with a child support order, a reunification plan, or an ex-offender. However, these additional requirements do not apply to individuals between 18 to 25 years of age who were in out-of-home care at or after age 16. Pursuant to DCF policy guidance, out-of-home care is defined to include placements under the Children's Code (Chapter 48) and the Juvenile Justice Code (Chapter 938).

## **DISCUSSION POINTS**

1. Due to the economic disruption caused by the COVID-19 pandemic, the unemployment rate spiked considerably in 2020, particularly for younger workers. According to the quarterly census of employment and wages produced by the federal Bureau of Labor Statistic (BLS), in April alone, employment in Wisconsin declined 14.5% compared to 2019. Social distancing measures used to combat the pandemic heavily affected younger workers because, as a group, they tend to concentrate in entry levels positions in certain industries, such as leisure and hospitality, which experienced severe declines in employment (which declined 51.5% in April 2020 compared to 2019). According to labor force statistics from the Census Bureau's current population survey, the unemployment rate for younger workers aged 20 to 24 increased to 25.6% in April, 2020.

2. BLS local area unemployment statistics show that the statewide unemployment rate increased to 14.8% in April, 2020, and has steadily improved to 3.8% through March, 2021. However, the unemployment rate for young adults remains elevated. According to the current population survey, the unemployment rate in March, 2021, for aged 20 to 24 years was 10.3% (compared to 6.6% in March, 2019). As a result, younger workers facing barriers to employment are in particular need of assistance.

3. Transitional Jobs is not currently available statewide. The four administering agencies and the regions they serve are as follows offer services: (a) Community Action, Inc. in Rock and Walworth counties; (b) UMOS, Inc. in five regions, including Adams, Clark, Jackson, and Juneau counties, Brown, Marinette, Oconto, Outagamie, and Winnebago counties, Florence, Forest, Langlade and Menominee counties, Kenosha county, and Racine county; (c) Northwest Wisconsin Concentrated Employment Program, Inc. in Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn counties; and (d) Workforce Resources, Inc. in Barron, Chippewa, Dunn, Pierce, Polk and St. Croix counties.

4. Assembly Bill 68/Senate Bill 111 would increase funding for the Transform Milwaukee and Transitional Jobs programs by \$2,600,000 FED in 2021-22 and \$5,200,000 FED in 2022-23 to expand the program statewide to the remaining 38 counties that do not have a transitional jobs program. The total funding that would be budgeted for these programs would be \$12,100,000 FED in 2021-22 and \$14,700,000 FED in 2022-23.

5. Program expansion could assist disadvantaged workers to find employment quickly as the economy recovers from the disruption of the COVID-19 pandemic. Assuming that wage subsidies and other reimbursements for each participant would cost approximately \$10,000 on average (1,040 hours of participation at minimum wage plus payments for other costs of employment), it is estimated that providing \$2,600,000 in 2021-22 could provide capacity for up to 260 participants and providing \$5,200,000 in 2022-23 could provide capacity for up to 520 participants.

6. The Committee could find that participant outcomes in the Transform Milwaukee and Transitional Jobs programs merits expansion to the remaining 38 counties where the program is unavailable, and therefore allocate \$2,600,000 FED in 2021-22 and \$5,200,000 FED in 2022-23 to expand the program statewide (Alternative 1).

7. Additionally, given the Committee could provide additional funding to expand the number of subsidized job opportunities available in the program, and provide for additional capacity of 50, 100, 150, or 200 participants at an estimated annual cost of \$500,000 FED, \$1,000,000 FED, \$1,500,000 FED, or \$2,000,000 FED, respectively (Alternative 2).

8. DCF does not maintain information on how many individuals have applied for the program but are denied services due to a lack of capacity, nor does the Department track outcomes for participants after they leave the programs. The program was last evaluated by DCF in September, 2013. That evaluation provided some evidence that participants experienced short-term positive outcomes, as measured by increases in unsubsidized employment rates, quarterly wages, and child support payments. However, the evaluators concluded that these outcomes cannot necessarily be attributed to the program, due to limitations of the evaluation design and available data.

9. In the absence of a recent, independent evaluation of the program, it is difficult to assess how effective the program is in securing sustaining employment for program participants.

10. Further, the Committee could also find that DCF has sufficient funding to maintain the program at present. As shown in the following table, the Transform Milwaukee and Transitional Jobs programs have consistently underspent budgeted amounts.

**Transform Milwaukee and Transitional Jobs  
Comparison of Funding Allocations and Program Expenditures**

<u>Fiscal Year</u>	<u>Budgeted</u>	<u>Expenditures</u>
2015-16	\$6,000,000	\$3,841,700
2016-17	7,000,000	5,328,200
2017-18	7,000,000	6,309,300
2018-19	8,000,000	6,210,400
2019-20	8,500,000	5,435,200

Caseloads through March, 2021, indicate that it is likely that total 2020-21 program costs will be significantly lower than the amounts budgeted for the program this year (\$9,500,000). Therefore, the Committee could decide to maintain funding at the base level of \$9,500,000 FED annually (Alternative 3).

11. On the other hand, DCF indicates that despite the COVID-19 pandemic, spending for Transform Milwaukee is expected to be at least \$5.1 million in 2020-21. The remaining funding under the TANF allocation is for the rest of the state, including the expansion of Transitional Jobs that began in January 1, 2021. Because three new contracts were recently added, DCF expects costs to increase during the last months of 2020-21 as social distancing measures roll back across the state and vaccines are widely administered. If base funding were maintained, DCF states that it would not expand the program to additional counties due to concerns over insufficient funding.

## ALTERNATIVES

1. Provide \$2,600,000 FED in 2021-22 and \$5,200,000 FED in 2022-23 to expand the Transform Milwaukee and Transitional Jobs program statewide to the remaining 38 counties that do not have a program.

ALT 1	Change to Base
FED	\$7,800,000

2. Provide \$2,600,000 FED in 2021-22 and \$5,200,000 FED in 2022-23 to expand the Transform Milwaukee and Transitional Jobs program statewide to the remaining 38 counties that do not have a program. In addition, provide additional annual funding to increase the availability of subsidized jobs in one of the following amounts: (a) \$500,000 FED; (b) \$1,000,000 FED; (c) \$1,500,000 FED; or (d) \$2,000,000 FED.

ALT 2	Change to Base
a FED	\$8,800,000
b FED	9,800,000
c FED	10,800,000
d FED	11,800,000

3. Take no action.

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