

WITHDRAWAL SHEET

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DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Reed and Ken Apfel to Chief of Staff [Panetta] re: Wisconsin Waiver, 2p (partial)	7/9/96	P5

RESTRICTIONS

P1 National security classified information [(a)(1) of the PRA].
P2 Relating to appointment to Federal office [(a)(2) of the PRA].

P3 Release would violate a Federal statute [(a)(3) of the PRA].
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

PRM Personal records misfile defined in accordance with 44 USC 2201 (3).

B1 National security classified information [(b) (1) of the FOIA].
B2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
B3 Release would violate a Federal statute [(b)(3) of the FOIA].
B4 Release would disclose trade secrets or confidential commercial financial information [(b)(4) of the FOIA].
B6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
B7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
B8 Release would disclose information concerning the regulation of financial institutions [(b)(9) of the FOIA].
B9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].



STATE SENATOR
GWENDOLYNNE S. MOORE

Member: Senate Committee on Business, Economic Development and Urban Affairs;
Senate Committee on Health and Human Services and Aging

FACSIMILE COVER SHEET
FAX # 608/267-2353

Number of pages, including cover page: 3

Please Deliver To:

Bruce Reed

Fax Number of Addressee: (202) 456-5557

From:

SENATOR GWENDOLYNNE S. MOORE
Senate District 4
State Capitol
P.O. Box 7882
Madison, WI 53708
608/266-5810
Legislative Hotline 1/800/362-WISC

Staff: Shirley Ellis, Leanne Bergstrom, Mary Czech-Mrochinski

Message:



WISCONSIN LEGISLATURE

P.O. Box 7882 • Madison, WI 53707-7882

June 14, 1996

President William J. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Subject: W-2 Waivers

Dear President Clinton:

W-2, or Wisconsin Works, is the most sweeping welfare reform proposal in the nation. Because W-2 eliminates the Aid to Families with Dependent Children (AFDC) safety net completely, it is essential to conduct a comprehensive and objective evaluation. Such an evaluation should study the effects on child support collections, the child welfare system, child poverty, health care availability, the impact on long term family economic health, and the impact on the low wage job market, among others.

Through a number of hearings across the state of Wisconsin, the Legislature's welfare reform committees heard testimony from many county welfare directors and others. The testimony was overwhelming in its criticisms of provisions of the bill. In fact, of the individuals who attended the public hearings, 1150 (89.1%) registered or appeared against W-2, 63 (4.9%) for information (largely opposed) and only 78 (6.0%) in favor (many were repeat appearances by the Department of Health and Social Services).

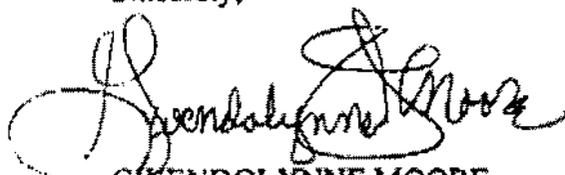
In particular, county executives and administrators from the largest 26 counties feared they would become the caretakers for children who fell through the non-existent W-2 safety net. Funding for these new caretaking responsibilities would, of course, come from the already beleaguered property tax.

In fact, the recently adopted state Republican platform calls for "private social service agencies, churches and other civic organizations to commit to the development of residential care facilities, with state assistance, for the children of today's welfare recipients who are not being provided with the proper nutrition, education, or respect for the law." This gives the appearance that the Wisconsin Republican Party is calling for state run orphanages to care for the child casualties of W-2.

The W-2 waiver evaluation proposal is limited to a financial and performance audit and is severely inadequate. We urge you to require the state to contract for an evaluation with an objective outside evaluation firm along the lines proposed in the attached outline for a W-2 evaluation prepared by the Institute for Research on Poverty here at the University of Wisconsin. Such an evaluation must be conducted by a competent, outside evaluator, not by some in-house person with vested interests or hired gun. Because negative evaluations of the Wisconsin welfare reforms, such as Learnfare, have been dismissed by Wisconsin political leaders, we call on you to insure that W-2 is adequately evaluated.

With all best wishes.

Sincerely,



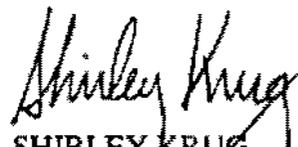
GWENDOLYNNE MOORE
State Senator



KIMBERLY PLACHE
State Senator



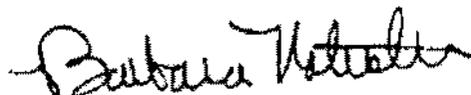
REBECCA YOUNG
State Representative



SHIRLEY KRUG
State Representative



ANTONIO RILEY
State Representative



BARBARA NOTESTEIN
State Representative

Enclosures

cc: Senator Russell Feingold
Senator Herbert Kohl
Congressman Thomas Barrett
Congressman Gerald Kiecicka
Congressman David Obey
Mary Jo Bane, Dept. Of health and Human Services
Howard Rolston, Administrator for Children and Families

FAX to Rahm + return
+ Grace Reif

State admits error on

Officials will seek to modify W-2 provision on displacing workers

By JOEL DRESANG
of the Journal Sentinel staff

State officials, admitting they made a mistake in a petition for federal welfare waivers, said Tuesday that they would ask to modify a request that would have let state welfare recipients displace existing workers in some cases.

The state still wants federal

permission to let participants in Wisconsin Works (W-2) fill established vacancies. But it is withdrawing requests to allow for partially displacing current workers, impairing existing contracts or collective bargaining agreements and infringing on the promotional opportunities of current workers.

"Somebody inadvertently included all the provisions instead of (just) the one provision we were asking for," said John Matthews, chief of staff to Gov. Tommy Thompson. He was referring to the request to let W-2 participants fill established va-

WORKING ON Welfare

Continuing coverage of welfare reform in Wisconsin and the nation.

cancies.

News of the glitch Tuesday fueled contentions that federal regulators — and the public — need to scrutinize the sweeping changes sought through W-2, which would replace Aid to Families with Dependent Children in Wisconsin beginning late next year.

"We're seeing what the difficulties are of rubber-stamping

waiver request

this document," said U.S. Rep. Tom Barrett (D-Wis.), who tried in vain last week to stop Republicans in the House of Representatives from passing legislation that would grant the W-2 waivers without federal review. The measure is pending in the Senate.

W-2 has become a presidential campaign issue, with Republicans challenging President Clinton to quickly and completely approve the plan devised by Thompson. By law, the U.S. Department of Health and Human Services may not grant waivers before a 30-day public

comment period, which began Monday for the W-2 request.

State Rep. John Gard (R-Peshtigo), chairman of the Assembly Welfare Reform Committee, said Tuesday that those who would use the mistaken waiver request to hold up action on W-2 "are interested in creating mischief."

"It's embarrassing," Gard said of the waiver mistake. "It's not significant enough to delay anything, unless people are interested in ways of derailing W-2."

Please see W-2 page 3

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* W-2/Error prompts state to modify request ³⁸

From page 1

Matthews stressed that the Thompson administration never had any intention of letting W-2 participants take jobs or hours from existing workers. The mistaken request for displacement provisions occurred only in a supporting document, Matthews said, and not in the narrative for the waivers.

"There probably should have been more proofreading," said Rep. John Dobyms (R-Fond du Lac), who fought for labor protections in W-2 and was surprised to learn Monday of the errant waiver requests.

Barrett said he doubted Thompson's intent.

"I would be more receptive to the idea that it was a mistake if it was an act of omission," Barrett said. "I don't see any evidence that it was a mistake."

However, a former welfare official who worked on waiver requests for New Jersey said the administration's explanation made sense.

"I could see a mistake of that sort being made very easily," said Michael Laracy, who now follows welfare reform plans for the Annie E. Casey Foundation, a Baltimore philanthropy for disadvantaged children.

"I've been there. I've had that problem," Laracy said. Typically, he said, a low- or mid-level technocrat makes an assumption about policy and includes it

in the waiver request without clearing it with administrators higher up.

"In a package that big, that they had to rush so they could cram it down Clinton's throat, it probably just never received adequate review," Laracy said of the W-2 request.

The request, totaling more than 400 pages, seeks 88 waivers from federal laws that would prohibit parts of W-2 from taking effect. Thompson himself delivered the package to Washington May 29, days before his administration had previously expected to have the documents ready.

Matthews stood by the waiver request as presented.

"We don't anticipate there are any other inconsistencies," he said.

More glitches found in W-2 waivers

By David Callender

The Capital Times

A nonpartisan legislative agency has found more problems with Gov. Tommy Thompson's request to exempt his Wisconsin Works welfare reform plan from federal requirements.

In a six-page memo dated June 11, the Legislative Council found the Thompson administration's federal waiver request varies in at least nine points from the welfare plan passed by the Legislature and signed by the governor.

In eight of those nine cases, the administration's waiver proposal is more restrictive than the original W-2 law.

On the remaining point, the waiver request would give more benefits to W-2 participants who violate state rules than the original law intended.

The latest disclosures touched off more calls for the Clinton administration to slow its consideration of the waiver request.

"It's very confusing what they're asking for," said state Rep. Rebecca Young, D-Ma-

dison. "Each point has to be scrutinized very carefully. How many mistakes are there? Nobody knows."

Earlier this week, U.S. Sen. Russ Feingold, D-Middleton, called on the Thompson administration to "scrub" its waiver requests and simply submit the law as it was enacted.

But Jean Rogers, administrator of the state Division of Economic Support, dismissed the memo as "overzealous hair-splitting. It amounts to nothing. Zero. zilch. The waiver is in compliance with legislative intent."

The Legislative Council identified the following areas in which the waiver request varies from the W-2 law as it was enacted. According to the council, the waiver requests would:

■ Allow W-2 participants who had violated program rules three times to continue receiving health care and child care benefits.

The W-2 law calls for all benefits — including job placements, health care and child care — to be cut off if there are three

rule violations, including fraud or failure to participate in W-2 work programs.

■ Allow the state to withhold payments for both health care and child care from W-2 workers' checks.

The W-2 law allows the state to withhold health care premiums from paychecks, but does not address the child care costs.

■ Allow the state to base its rates for child care co-payments on the cost of care plus income and family size.

The W-2 law requires participants to pay only a percentage of the cost of care that is not directly related to income and family size.

■ Limit access to W-2 jobs counseling and other programs to pregnant teens who live with their parents.

The council said the detailed waiver requests "indicate that only teen parents who live at home, presumably with their parents, will be eligible for W-2 benefits, such as services of the financial and employment planners."

The council memo said other parts of the waiver appear to contradict this provision

by indicating that all minor parents, regardless of income, assets or living arrangements, will have access to the planning services.

Meanwhile, the council said the W-2 law "does not limit access to a financial and employment planner to minor parents living with their parents," and in fact allows teens to get financial and job counseling regardless of their income or their parents' income.

The federal waivers are needed because the federal government pays 60 percent of the costs of Aid to Families with Dependent Children, the welfare program W-2 is intended to replace.

Clinton has said he supports the W-2 plan "in concept," but administration officials have said previous disclosures of errors in Wisconsin's request may slow the approval process.

The Thompson administration has acknowledged several mistakes in the waiver application, including a provision that would have allowed W-2 work program participants to take jobs away from other workers.

LAFOLLETTE SINK
08:24/86 MON 09:23 FAX 608 283 2528

Milwaukee Journal Sentinel
Monday, June 24, 1996
Page 3B

Lack of guarantees may derail W-2 as it goes through federal review

By JOEL DRESANG
of the Journal Sentinel staff

A lack of guarantees in Gov. Tommy Thompson's Wisconsin Works (W-2) plan might be the main obstacle to President Clinton's approval of the work-based welfare overhaul, some analysts predict.

Especially crucial may be the lack of guaranteed health care for children, even in families who are eligible for W-2 and comply with all the rules.

Despite past insistence from the White House that medical coverage should be assured for all poor children nationwide, the W-2 waiver application being reviewed by the U.S. Department of Health and Human Services contains no blanket guarantees.

"If approved as proposed, the waiver would give Wisconsin broad authority to deny, delay or restrict coverage in virtually any way it saw fit if budget or political pressures eventually push in that direction," said Cindy Mann, a lawyer and health care specialist for the liberal Center on Budget and Public Policy Priorities, in Washington.

Thompson is seeking Clinton's permission to waive dozens of federal rules so that W-2 could begin late next year. Ballyhooed as a model for other states, W-2 is detailed in a 422-page waiver application that Thompson delivered to Washington May 29.

As proposed, W-2 would expand government medical coverage beyond welfare recipients to low-income working families. Initial projections by the Thompson administration estimated that 2,000 more Wisconsin residents would be insured

WORKING ON Welfare

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under W-2 than under Medicaid, although even administrators admit the numbers are iffy. But none of the care is guaranteed.

A description in the waiver request states: "Under W-2, applicants are not guaranteed placement in a W-2 employment position and a subsequent check nor are they guaranteed eligibility for the W-2 Health Plan or W-2 Child Care."

Kevin Piper, administrator of the Wisconsin Division of Health, said such language shows that W-2 intends to end the notion that anyone is entitled to benefits.

"It's our effort to send a deci-

sive signal that the age of welfare is over," Piper said.

Recent developments have called attention to W-2's lack of guarantees:

■ At a news conference last week in Washington, Families USA, a health care consumers group, denounced W-2 as "a Medicaid minefield" because it ends guaranteed coverage for poor children, requires all participants to pay premiums and diverts \$18 million in federal Medicaid funds to other, non-medical welfare programs.

■ Republican leadership in Congress has suggested that it might split off federal welfare reform from legislation that would convert Medicaid payments to block grants for states.

■ The Clinton administration has repeated its stand on guaranteed health care for children.

"Medicaid seems likely to be a major sticking point because the president has emphasized the importance of the guarantee," said Mark Greenberg, who follows welfare initiatives for the liberal Center for Law and Social Policy, in Washington.

In a May 18 national radio address praising W-2, Clinton characterized the plan as including assurances that are not there in fine print. The White House since has said Clinton made his remarks based on an early outline of W-2.

Families USA contended that under federal law, even states operating programs under a waiver must continue to cover certain children and pregnant women as provided by Medicaid.

Discounting Families USA's rhetoric as coming from the "welfare industry," Piper insisted that W-2 would provide exactly what Families USA has advocated: health care for more families.

"It's going to help ensure that these newly responsible moms and their husbands, if they have them, and their children will have access to a comprehensive package of health care," Piper said.

Wisconsin has fully funded the benefits offered in W-2, Piper said. The state would not abandon needy residents, and groups clamoring for guarantees are perpetuating a system in which recipients are entitled to the largesse of taxpayers.

"They're so wedded to the old system they can't open up their eyes to see that the old system is dead," Piper said. "The taxpayers won't put up with it anymore."

Welfare overhaul includes health benefits

Besides requiring welfare recipients to work for their benefits, the Wisconsin Works (W-2) plan would provide health care insurance to low-income families.

Who is eligible:

- Participants whose employers don't pay at least 50% of costs of a family plan.
- Pregnant women and children younger than 6 whose gross family income is less than 165% of the federal poverty level. For a family of three the poverty level is \$12,980.
- Children ages 6 to 12 whose family income is up to the poverty level.
- Families whose employers don't pay at least 50% of plan costs and that:
 - ▶ have at least one child younger than 18, do not receive Supplemental Security Income and have gross incomes below 165% of the poverty level and assets (excluding residence and vehicles) of less than \$2,500. Eligibility could be kept up to 200% of the poverty level.
 - ▶ are expecting a baby and meet the same income and asset limits.
 - ▶ have minor parents living with a parent or other responsible adult who qualifies.
 - ▶ have incomes below 165% of the poverty level after subtracting health care expenses.

What people would pay:

- Monthly premium fees starting at \$20 for families with incomes up to 159% of the poverty level, increasing by \$3 for each percentage point increase above 159%, up to \$143 at the 200% cutoff.
- Participants in W-2 work programs would have premiums deducted automatically from their wages or grants.
- Other W-2 health care recipients would be ineligible for any month in which they do not pay the premium.

Source: Institute for Research on Poverty

JOHN PINEHART/JOURNAL SENTINEL

July 9, 1996

DRAFT -
NOT SUBMITTED.
APFEL WANTS TO
MAKE CHANGES.

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Ken Apfel

-BR-

SUBJECT: Major Issues -- Wisconsin Waiver

Here is a brief summary of issues the White House needs to resolve in the next few days so that the President can announce the Wisconsin waiver next week.

I. Overview

On May 29, Gov. Thompson delivered a 400-page request for specific waivers of 69 AFDC, 18 Medicaid, and 5 Food Stamp provisions. HHS sees no problem with at least 54 of the 69 welfare provisions and 7 of the 18 Medicaid provisions. USDA has more limited waiver authority (it cannot allow changes that would make any families worse off), but most of the waivers can be worked out.

The earliest the waiver can be approved without legal challenge is July 11, which marks the end of 30-day period for public comment. Dole stopped in Wisconsin last week to attack the Administration for not getting the waiver done yet. Last month, the House overwhelmingly passed a bill to deem the entire Wisconsin waiver approved, but the Senate is less likely to move that legislation -- unless we stir it up again by turning down too much.

II. Major Policy Issues

There are two schools of thought on how to approach the major remaining policy and legal issues in the Wisconsin plan. One approach, advocated by HHS, is to treat Wisconsin as another waiver request, and try to hold the line on a handful of issues -- time limits, residency requirements, etc. -- that HHS has denied states in the past. The other approach would be to treat Wisconsin as the political equivalent of another welfare reform bill, and judge its elements based on what we are willing to accept or reject in national legislation from Congress. The first approach would deny Wisconsin some provisions even though states could do them under the Breaux-Chafee welfare bill we support. The second approach would take the same position on Wisconsin that we have staked out in the national debate: yes to a work-based welfare block grant, no to a Medicaid block grant.

1. Medicaid: On Medicaid, the state will get very little of what it asked for. Although the health plan was designed to expand coverage up to 165% of poverty by placing welfare recipients in managed care, we will have to reject the basic framework, which is a block grant that ends the Medicaid guarantee. HCFA is also firmly opposed to allowing premiums of \$20 a month and forcing recipients to accept insurance from their employer if it is available. However, we can grant a pending Medicaid 1915(b) waiver that will place welfare recipients in managed care and use the savings to expand coverage, and pledge to keep working with the state to approve as much of the W-2 waiver as we can while preserving the guarantee. As always, budget neutrality will be a problem. The Medicaid provisions are the primary reason we need to keep Congress from passing legislation to deem the waiver approved, because such a bill would be their current reconciliation package in miniature -- generally acceptable welfare reform linked to unacceptable Medicaid.

2. Time Limits: The Wisconsin plan includes a 5-year lifetime limit, like our bill and all the major congressional plans. The issue for the waiver is whether to impose terms on who should get extensions to the time limit. Wisconsin wants to leave that decision to the discretion of the caseworker. In other states, HHS has always forced states to accept mandatory extensions for anyone who reaches the time limit and can't find a job. The one exception is the two-county waiver we granted Wisconsin in 1993, which essentially left that decision to the state.

We have two realistic options: 1) allow the state to implement the exact terms statewide that we granted in 1993; or 2) let the state develop its own terms. Under the first option, Thompson could only complain a little, since he has bragged in the past that his two-county waiver was the toughest in the country. Under the second option, the state could do what it will be able to do anyway if welfare reform becomes law. As a practical matter, Wisconsin will probably implement the same rules whichever option we choose. (Mary Jo Bane favors a third option, to "clarify" the 1993 terms along the lines of what HHS has demanded from other states -- but others at HHS consider this a non-starter, since it would enrage Thompson without enabling us to say he had agreed to the same terms once before.)

3. Entitlement: The toughest issue in the entire waiver is how best to make sure that recipients get jobs and child care, without handing Thompson the chance to claim we vetoed his waiver by insisting upon an individual entitlement, which we have not done in the congressional debate. The intent of the Wisconsin plan is to provide enough work and child care to go around, and to use some savings from caseload reduction toward that purpose, but like Breaux-Chafee and other congressional reform bills, there is no explicit guarantee. Indeed, the Wisconsin statute specifically denies that any individual is entitled to such benefits.

The Wisconsin legislature enacted a specific non-entitlement provision, for two reasons: 1) the major national welfare reform bills end the entitlement; and 2) the state wanted to avoid the due-process constraints of *Goldberg v. Kelly*, a 1970 Supreme Court case which requires states to grant a recipient notice and an evidentiary hearing (including the

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1
LISTED IN THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

THE FOLLOWING PAGE HAS HAD MATERIAL REDACTED. CONSULT THE
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER FOR FURTHER
INFORMATION.

opportunity to submit evidence, cross-examine opposing witnesses, and retain a lawyer) before terminating any benefits to which the recipient has a statutory entitlement. Wisconsin is willing to provide certain post-termination opportunities for review, but argues that requiring a full evidentiary hearing before terminating benefits would make it easier for recipients to get around work requirements, and would keep the system looking more like a welfare program than the real world of work.

There is no having it both ways on this question: any outright guarantee will maintain the individual entitlement and the consequent due process safeguards, even if we call it an assurance or something else. HHS would like to do just that, and impose due process procedures that go much further than the state proposed. That would have the advantage of protecting recipients if the state runs out of money. On the other hand, it might prompt Thompson to reject the terms of the waiver, claim that we had vetoed welfare reform a third time in order to preserve the current system, and lobby Congress to pass a full Wisconsin waiver.

A second approach would be to go along with the request to waive the entitlement, but require the state to "make best efforts to ensure that those eligible receive services and benefits." Holding Wisconsin to a "best efforts" standard would make it easier for courts and the Administration to review the waiver if Wisconsin fails to provide jobs, and probably would not be interpreted as an individual entitlement. Recipients would get the notice and review proposed by the state, but could not go to court and demand a full evidentiary hearing prior to any sanction. We can make clear that if the state fails to meet this best efforts standard, we have the authority to revoke its waiver.

A third approach would be to simply give Wisconsin what it wants, by waiving the entitlement without imposing a best-efforts standard. That would quiet Thompson, but alarm advocates (who will be upset no matter what we do).

[REDACTED]

III. Legal Issues

On two of labor's main concerns (worker displacement and the minimum wage), we lack the legal authority to grant exactly what the state wanted. The provision that requires welfare participants to be placed in new (not existing) job vacancies is in a section of the Social Security Act that cannot be waived under current law. But every major welfare bill would remove that provision, so Wisconsin will be free to do what it wants once welfare reform becomes law. On the minimum wage, we can essentially grant the state's request to pay participants the minimum wage for 30 hours a week of work but not additional hours of

education and training. But the state will have to reduce hours or raise benefits once an increase in the minimum wage goes into effect.

[REDACTED]

W-2

1) OK if constitutional. Feasibility

2) MDR optional

3) a. No entitlement to some but not others

b. Obleg on state. No indiv. entitlement. Wisc due process consist of a benefit

The state has to make best efforts to ensure that all eligible people are ~~able~~ ~~to~~ ~~obtain~~ ~~employment~~ ~~benefits~~ ~~or~~ ~~services~~

The state could not deny benefits on the basis of lack insufficient resources or employment position

Is waiver revocable?

receives services + benefits under W-2 waiver

Residency: the period up to 60 days for which state can demand a compelling admin interest.

Noncitizens:

Exec Action:

FAX COVER SHEET
July 5, 1996



TO: Bruce Reed
Domestic Policy Advisor to the President

FROM: Orson C. Porter
Office of Mayor John O. Norquist

**THE FOLLOWING FAX TRANSMISSION CONTAINS 4 PAGES
INCLUDING THIS COVER SHEET.**

**IF THERE IS ANY PROBLEM RECEIVING THIS
TRANSMISSION, CONTACT (414) 286-2200.**

**MESSAGE: Today's front page story. Someone should respond to the
Archbishop. The Governor arrogantly states "We're proud to
disagree," this is an excellent opportunity to do some outreach.**

07/05/96 13:38 MAYORS OFFICE - 91202455557

L W A U K E E JOURNAL SENTINEL

FRIDAY, JULY 5, 1996 — FINAL EDITION

SUMMERFEST
 Not everyone likes festivals.
 Some folks still can't stand crowds.
 It's really (name) ...

**NEW PLAN FOR
 HUMAN SERVICES
 DEPARTMENT**

Weakland opposes W-2 program

Archbishop makes plea for children

By FRANK A. AUROFER
of the Journal Sentinel staff

Washington — Warning of "a tragedy for the poor and a moral blemish on the earth's most affluent society," Milwaukee Archbishop Rembert Weakland urged President Clinton and Congress in an article Thursday to reject Wisconsin's welfare reform program.

The program, called Wisconsin Works, or W-2, was developed by Gov. Tommy Thompson and approved by the state Legislature. Thompson has asked the Clinton administration to approve waivers from current federal law that would allow the program to go forward.

A 30-day period for public comment on the waiver requests ends next Wednesday,

and Clinton's chief of staff, Leon Panetta, has promised a final decision within a few days after that. Wisconsin welfare officials say more time may be needed to iron out details.

Clinton endorsed W-2 in a May 18 radio broadcast.

Weakland, who recently ended a six-month sabbatical, made his appeal in an opinion article in Thursday's

Washington Post. W-2 amounts to a repeal of a longstanding commitment by American society to care for the poor, especially children, he charged.



Weakland

Weakland has written and spoken before about welfare. Shortly before beginning his sabbatical, Weakland issued a

moving, personal plea that the church and government not forget about the poor, and drew upon his own life growing up poor.

"Catholic social teaching holds that the poor, especially children, have a moral claim on the resources of the community to secure the necessities of life," Weakland wrote.

Please see W-2 page 9

Report says one in six Milwaukeeans would get child care with W-2.

NO. 044 P02

MILWAUKEE JOURNAL SENTINEL FRIDAY, JULY 5, 1996 9A

nd urges Congress to reject plan

re system was in need of reforms, and had offered constructive proposals.

ople of good will, he wrote, argue over the need to modify FDC so it better serves its purpose.

ut it is patently unjust for a ty as affluent as ours to y that covenant," he wrote.

approved, "the Wisconsin program does just that. enabling statute for the W-2 osal specifically states no s entitled to W-2 services, (those) who are eligible to ve them."

is one thing to change the of the welfare system. It is another thing to say, "Even i play by the new rules, so-will not help you." This is welfare reform but welfare il."

ot Morally Justifiable'

ich a message, Weakland e, "may be politically at-ve in this election year; it is

not morally justifiable."

He said critics of the welfare system alleged that public assistance undermined personal responsibility. He said that was a generalization.

"In the first place," he wrote, "the children of the poor did not choose their families. We should not afflict these children with hunger in order to infuse their parents with virtue."

Weakland said his experience in developing a pastoral letter for the U.S. bishops on economic injustice had impressed on him the truth that poor families were especially vulnerable to economic downturns triggered by national and international events.

Moreover, he said that even prosperous states like Wisconsin, with its low unemployment, could not ensure that everyone who wanted to work could earn a wage to support a family.

"So long as this is the case," he wrote, "it is unwise and unjust for the federal government

to abandon its commitment to the poor. Our covenant with needy children must remain the responsibility of the entire American family."

Weakland said the president and Congress needed to recognize that they could not repeal the assurance of public assistance for the poor in Wisconsin without having repeal become a national policy.

"Once such a repeal is granted to a single state," he wrote, "others will seek similar license. The poor will lose their safety net by degrees as surely as if Congress and the president repealed it all at once."

Weakland said he could appreciate the burden of difficult choices in an election year. But he said the short-term political outlook should not cloud moral vision.

"America's 60-year covenant with its poor children and those who nurture them must remain unbroken," he wrote.

Thompson aide criticizes archbishop's welfare stance

'We're proud to disagree,' Keane responds

By MEG JONES
of the Journal Sentinel staff

Sharply disagreeing with Milwaukee Archbishop Rembert Weakland's Washington Post opinion article against W-2, a spokesman for Gov. Tommy Thompson responded Thursday by saying the archbishop had never proposed anything to help poor people get off welfare.

"They have not offered anything constructive. They talk one way but they don't want to do the action that's needed," Kevin Keane said in a phone interview.

Keane, the governor's press secretary, also pointed out that he and Thompson are Catholic.

Keane said the system proposed by Thompson was more compassionate because it helps

people get off welfare.

"If the archbishop thinks it's compassionate to hand a family a check once a month and then walk away, if the archbishop thinks it's compassionate to trap children in families in generations of dependency and poverty, then we're proud to disagree with him," Keane said.

Keane said the governor's welfare reforms had helped 40,000 people get off public assistance. He also said Wisconsin had one of the lowest child poverty rates in the nation.

"So, with all due respect to the archbishop, I think Gov. Thompson has a record of credibility in helping these poor people," Keane said.

"There are people who talk and there are people who do something about the problem. I think that's the difference we have right now between the two men."

W-2/Weakla

From page 1

in the Post. "For more than 60 years, our society has recognized this claim with a covenant that ensures a minimal level of assistance for food, clothing and shelter to poor children and their families."

He said millions of children had relied on that covenant since the 1930s, and noted that more than 120,000 children in Wisconsin relied on Aid to Families with Dependent Children (AFDC), the welfare program that would be replaced by W-2.

In response, Kevin Keane, a spokesman for Thompson, said. "It's very disappointing that the leader of Wisconsin Catholics is defending a system that hurts the people they claim to want to protect, that traps the poor in a life of dependency."

Weakland said that he and other Catholic bishops "who grapple with the needs of the poor" agreed that the current

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Only 1 in 6 would get child care under W-2, UWM report says

By JOEL DRESANG
of the Journal Sentinel staff

Despite a near tripling in state funding, only about one in six Milwaukee County children 12 and younger under the Wisconsin Works (W-2) welfare plan would receive a child care subsidy, according to University of Wisconsin-Milwaukee researchers.

More than 89,000 children 12 and younger in low-income working families could qualify for assistance, according to the study by UWM's Employment and Training Institute, but only 15,000 subsidies would be available, posing problems for the plan, which requires individuals to work for welfare benefits.

The study is the second in a week suggesting a dearth in child care resources under W-2, the sweeping reform effort scheduled to take effect late next year. Last week, a preliminary report by the Early Childhood Education and Care Initiative suggested that by next year about 8,500 Milwaukee County children younger than 6 would be without child care.

"I don't think anybody can make an estimate of what the actual numbers will be in the future," said John Pawasarat, director of the UWM institute. But both studies, he said, clearly indicate "simply inadequate" pro-

WORKERS OR Welfare

Continuing coverage of welfare reform in Wisconsin and the nation.

ke County under W-2.

"I think ours is a fairly conservative estimate of what the shortfall will be," Pawasarat said.

Among the UWM study's findings:

- Of \$80 million allotted by W-2 for child care subsidies in Milwaukee County next year, \$72 million would cover 12,795 children already using child care, including 4,122 children already on a waiting list. That \$80 million would be a boost from \$27 million this year in subsidies.

- Based on current experience with child care subsidies, W-2 participants would be less inclined to use child care as their costs rise. W-2 would require co-payments of all families receiving child care assistance, with the payment tied to cost and income. Currently, more than half the families receiving licensed or certified child care through Milwaukee County have no co-payments.

- Plans to expand child care slots by establishing a new cate-

gory of low-cost, less-regulated "provisional" caregivers could fail, in part because child care already is considered low-paying. Another factor is that under W-2, providers would have the added burden of collecting co-payments. One-third of the county's active certified child care providers receive public assistance.

Child care assistance is essential to W-2 because it would allow low-income parents to work without worrying about their children's care. Work would be required of welfare beneficiaries with children as young as 12 weeks.

In addition, W-2 would extend child care assistance to some low-income working families not now eligible for subsidies, spreading resources even thinner, Pawasarat said.

The UWM report raises concern about limited funding for child care assistance, noting that W-2 doesn't guarantee benefits even to families who qualify and comply with the rules.

Dave Edie, director of the state office of child care, could not be reached for comment on the UWM study but said of the other report that it's difficult to predict how the child care market will adjust to the needs created by W-2.

Child care assistance

More than 89,000 Milwaukee County children 12 and younger could be eligible for child care assistance, according to a new study. But the same study estimates the number of W-2 subsidies available to be 15,000, a near tripling of funding by the state.

Number of children likely to be eligible for W-2 child care assistance

By family circumstances

AFDC families expected to work under W-2	54,218
Families on food stamps but not on AFDC	5,244
Working families earning less than 165% of poverty and not on public assistance	
ONE-PARENT	14,056
TWO-PARENT	15,932

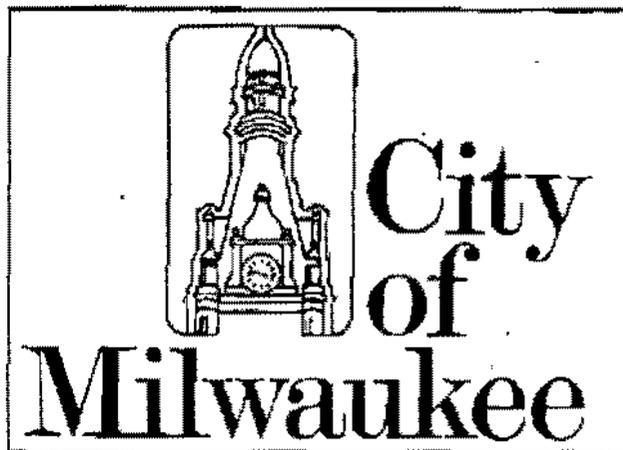
By age

Under 2 years	13,982
2-5 years	31,570
6-12 years	43,898

Source: Employment and Training Institute, UWM-Milwaukee. JOHN PHILLARD, Internal Control

FAX COVER SHEET

July 3, 1996



TO: Marcia L. Hale
Director of Intergovernmental Affairs

FROM: Orson C. Porter
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS 2 PAGES INCLUDING THIS COVER SHEET.

IF THERE IS ANY PROBLEM RECEIVING THIS TRANSMISSION, CONTACT (414) 286-2200.

MESSAGE: Today's local press...The Mayor is looking forward to talking to the President or Vice-President before the waivers are signed. Have a great holiday weekend.

—
Red-tagged
from West Wing.

To Bruce Reed

Have you
spoken with
Orson yet?

— Marcia Hale

Dole challenges Clinton to sign W-2 waiver requests

Republican candidate makes refueling stop at Dane County Airport

By CRAIG GILBERT
of the Journal Sentinel staff

Madison — Republican presidential candidate Bob Dole used a cross-country refueling stop to once again challenge President Clinton to sign the state's W-2 welfare overhaul.

"I think my coming here might get his attention. And it might help the people of Wisconsin get real welfare reform," said Dole, who used his last visit to the state — May 21 in Fond du Lac — to assail Clinton's record on welfare.

"If necessary, we'll come back again."

Appearing with senior aides to Gov. Tommy Thompson, who was at a Texas conference, Dole said W-2 was "gathering dust" in Washington while "Clinton's advisers quibble over the details."

Clinton made headlines in May when he publicly embraced Thompson's sweeping W-2 plan, although his aides have sent mixed signals about how much of the proposal they'll approve.

Dole pointed out Tuesday that Thompson made his requests 49 days ago for the federal welfare waivers he needs to go ahead with W-2.

In response, a Clinton aide said the required period for accepting public comment on the Wisconsin waiver requests still is open.

"Despite the fact we're still receiving comment, we've already had some good discussion with the state," said Melissa Skolfield, a spokeswoman for the U.S. Department of Health and Human Services. "As we've said repeatedly, we're working on it, and we intend to get it done."

The closing date is July 10, according to Wisconsin welfare officials.

Dole was on his way from Washington to California Tuesday and chose the Dane County Airport for his refueling stop.

In Madison, he fielded questions on his position on tobacco,

on his party's smoldering abortion debate — "I think I've spoken enough on abortion the last few days. I hope we can resolve it" — and on his search for a running mate.

Asked about Thompson's vice presidential prospects, he said: "I'm thinking about that. I'm thinking about a lot of different things. Obviously choosing a vice president is something that must be done before the convention ... and certainly Gov. Thompson and other Republican governors have been in my thoughts."

Dole said he has not formally rated any of those candidates, but his running mate must "be somebody who can be president of the United States. That's No. 1, but also in my case somebody I can trust, somebody I can work with, somebody I know, somebody who has pretty much the same philosophy. Geography is not as important. I don't think anymore."



Memo from John Monahan

Director for Intergovernmental Affairs

Date: 7/22/96

To: Bruce Reed

For necessary action

For your information

Date due: _____

Comments/Recommendations

Please see me

Remarks:

Rec'd

American Federation of Labor and Congress of Industrial Organizations



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July 15, 1996

MEMORANDUM

TO: Mr. John Monahan, Director of Intergovernmental Affairs
Department of Health and Human Services

FROM: Marc Baldwin, Assistant Director *JB*
AFL-CIO

Attached you will find two reports which may prove useful in your evaluation of the Wisconsin Works Waiver. They were forwarded to me by the Wisconsin State AFL-CIO.

MB:md

Attachments

cc: Joanne Ricca
Wisconsin State AFL-CIO

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THE INSTITUTE FOR
WISCONSIN'S FUTURE

W-2 (WISCONSIN WORKS):
An Analysis of Feasibility and Impact

October, 1995

by

Professor Anne Statham
University of Wisconsin—Parkside

Pamela Fendt
University of Wisconsin—Milwaukee

W-2 (Wisconsin Works)
An Analysis of Feasibility and Impact

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October, 1995

Institute for Wisconsin's Future

BACKGROUND

As of January 1999, Aid to Families with Dependent Children will no longer exist in Wisconsin. AFDC currently provides for approximately one quarter of a million very low-income people in Wisconsin, 70% of whom are children. The program Governor Thompson is proposing as a replacement is called *W-2 (Wisconsin Works)*. The key change under W-2 is that cash assistance will no longer be an entitlement for families with needy children. Instead, low-income parents can choose to participate in the W-2 system, which offers four employment options including private employment, subsidized private employment, community service jobs, and supervised transitional work.

Those persons unable to find private employment would participate in one of three time-limited employment programs. The community service and supervised transitional employment would provide the head of household with a monthly subsidy, roughly equivalent to previous welfare payments, which the person would "work off" doing 40 hours of community service or supervised transitional labor. Because these programs would be considered service for the subsidy, participants would not be covered by minimum wage requirements and would not be eligible for the Earned Income Tax Credit which provides economic assistance to the working poor.

Given the fundamental change in policy direction that ending AFDC signifies it is important to understand the basis for the 60 year-old program W-2 proposes to replace.

Aid to Dependent Children was established by the Social Security Act of 1935 as a cash grant program to enable States to aid needy children without fathers. Renamed Aid to Families with Dependent Children (AFDC), the program provides cash welfare payments for (1) needy children who have been deprived of parental support or care because their father or mother is absent from the home continuously, is incapacitated, is deceased or is unemployed, and (2) certain others in the household of such child.¹

The debate about welfare reform has been hampered by a reliance on misconceptions about AFDC. Reasoned public policy decision-making must integrate factual information with the values of the society to ensure that policy changes are supported by the public and do not cause undue harm to those least able to speak on their own behalf: children.

INTRODUCTION

Governor Thompson calls W-2 "a dramatic break with the past" but the impact of this "break" has not been evaluated. **The fundamental policy change at the heart of W-2 is that the state will remove itself from any direct obligation to provide for needy children.** Under W-2, the state's only role will be to help parents to help themselves; and, if a parent can't or won't, to remove the child from the home. The primary determinant to success under W-2 is presumed to be the effort of the adult participants. The W-2 plan makes a number of assumptions about:

- the reasons for AFDC dependency,
- labor market conditions,
- family support systems, and
- the potential for economic self-sufficiency among entry-level workers.

These assumptions were not examined in a comprehensive and empirical manner.

Because W-2 is a significant shift in social policy and will have serious consequences for the more than 76,000 households receiving AFDC in Wisconsin, the Institute for Wisconsin's Future (IWF) has conducted a study of the feasibility and potential impact of the W-2 proposal. This study is designed to address four major issues:

- 1) The capacity of the state's economic system to absorb substantial numbers of new job seekers;
- 2) The compatibility of existing educational levels among AFDC recipients with the educational requirements of available jobs;
- 3) The availability of support systems necessary for parents' participation in the work force; and
- 4) The impact of an influx of low-wage workers on the state economy.

To examine these issues, IWF collected data from four Wisconsin counties which represent urban and rural areas of different sizes. However, since 59% of all Wisconsin welfare recipients live in Milwaukee County, this community was targeted for more detailed analysis. Data for additional Wisconsin counties can be found in Appendix 1.

FINDINGS

Labor Market Conditions

1. Statewide, there are less than half the jobs necessary to employ the total number of current AFDC recipients and unemployed persons.

An examination of employment projections generated by Wisconsin's Department of Industry, Labor, and Human Relations (DILHR) demonstrates that there is an insufficient number of job openings to meet the employment needs of those heads of households currently receiving public assistance. There are currently 69,039 adult recipients of AFDC who would have 24 months to find unsubsidized employment under the W-2 plan. These new entrants to the workforce would be competing for private sector jobs with the unemployed population, currently 125,639 people. Together, this constitutes nearly 195,000 people in need of employment in the state. The average annual job openings for the state, as projected by DILHR through the year 2005, is 85,464.

TABLE 1. Four-county labor market assessment of job availability versus placements needed.

	Milwaukee	Rock	Marquette	Eau Claire	Wisconsin
Job Openings²	20,035	2,877	829	1,624	85,464
AFDC adult³	32,013	2,363	491	1,297	69,039
Unemployed⁴	18,913	3,227	1,342	3,967	125,639
Total Jobseekers	50,926	5,590	1,833	4,295	194,678
Job Gap	39,891	2,773	1,004	2,671	109,214

Job Service Experience

To better understand the circumstances faced by AFDC recipients entering the job market, it is instructive to examine the experience of Job Service clients in Wisconsin. A striking example from Marinette County shows that in July 1995 there were 57.8 applicants for every clerical job opening on file with the local Job Service office⁵. More specifically relevant is the role Job Service plays in the employment of welfare recipients.

*During this program year the State administered a variety of employment and training programs for those receiving AFDC. During the year Job Service was the dominant provider of such services through a series of contracts with the Wisconsin DHSS and county social services departments providing services in 63 counties and tribal units. Services provided included enrollment, job search, case management and a limited amount of training and supportive services.*⁶

Chart A. Number of AFDC recipients placed by Job Service⁷

State Total	1988	1989
Program Participants	33,594	36,476
Clients Placed	13,758	15,764
Percent of Clients Not Placed	59%	56%

Chart B. Job Service applicant to openings ratio, July 1995⁸

COUNTY	RATIO OF APPLICANTS/JOBS
Milwaukee	10.8 to 1
Marinette	11.1 to 1
Rock	21.5 to 1
Eau Claire	15.1 to 1

The point here is not to criticize Job Service, but to note that if the "dominant provider" of employment services to welfare recipients has had less than a 50% success rate in placing AFDC recipients in jobs, and the total number of placements statewide was approximately 16,000 for the entire year, then the challenge of now placing 70,000 recipients as quickly as possible should not be taken lightly.

2. Without funded training programs, there will continue to be a serious mismatch between the skill levels of AFDC recipients and the skills required for most openings.

The state job shortage is further exacerbated when jobs requiring education beyond high school are eliminated from the total pool of available jobs. According to a recent survey of job openings done by the Employment and Training Institute of UW-Milwaukee, 61% of the full-time openings in the metro Milwaukee area "required education, training or occupation-specific experience beyond high school."⁹

The availability of entry level jobs is critical, as these are the types of jobs needed by welfare recipients, who typically have less formal education, less recent labor market experience, and fewer job skills than the currently employed.

In Wisconsin, approximately 40 % of AFDC recipients have not finished high school and only 12% have post-secondary education (See Chart D. below). This discrepancy will reduce the number of jobs available to the AFDC mothers attempting to enter the labor market and leave employers with a continuing shortage of skilled workers.

Chart C. Educational Status of AFDC Recipients¹⁰

EDUCATION LEVEL	AFDC RECIPIENTS
AFDC recipients with less than a high school education	38.6% of all recipients (26,649 persons)
Recipients with High School Diploma or GED Certificate	37.3% of all recipients (25,752 persons)
Recipients with post-secondary training or education	12.4% of all recipients (8,561 persons)
Educational levels unknown	11.8% of all recipients (8,009 persons)

When the number of AFDC recipients who would be entering the job market as entry-level workers is calculated and compared to the available number of entry-level job openings, there is a significant gap statewide. In the Wisconsin entry-level labor market, there are roughly 33,000 entry-level job openings and 52,000 job seekers. The full table showing the comparison of entry-level openings to entry-level recipients follows.

TABLE 2. Four-county and statewide comparison of entry level jobs available to low-skill workers entering the workforce under the W-2 program. *

	Milwaukee	Rock	Marinette	Eau Claire	Wisconsin
Entry-level Jobs ¹¹	7,814	1,126	323	633	33,330
Entry-level AFDC applicants. ¹²	24,297	1,793	373	984	52,401
Entry-level job gap	16,483	667	50	351	19,071

* This table does not include the current population of non-AFDC unemployed persons seeking jobs in these counties.

The Case of Milwaukee County

While it is important to understand what impact W-2 will have in each Wisconsin county, special attention must be given to the feasibility of W-2 in Milwaukee County, since it contains over half of the state's AFDC recipients. If W-2 does not succeed in Milwaukee County, then Wisconsin Works won't work. The labor market projections for Milwaukee County suggest that training programs will be crucial to ensure program success. Of the 32,000 adult recipients who would be entering the job market, about 24,000 have educational levels of high school or less. When this number of new entry-level workers is compared to the projected number of entry-level openings (8,000), the job gap is obvious. When the percentage of the 19,000 currently unemployed workers who would also be vying for the entry-level jobs is added, the situation is even worse.

Supportive Services

3. Crucial support systems for newly employed parents, including child care and public transportation, are not available to substantial numbers of persons in designated counties.

Child Care Resources

The Wisconsin Council on Children and Families estimates that there are over 70,000 children under the age of five in the state of Wisconsin who will require daycare services if their mothers enter the workforce. This would require up to a 50% increase in the number of daycare slots available in Wisconsin. In Milwaukee County alone 30,000 children under the age of five could need care, a 136% increase over current capacity.

Under the state proposal, child care services are to be expanded by lowering standards for child care licensing. W-2 has come under significant criticism by state child advocacy groups who fear that "provisional care" by untrained, unmonitored caregivers could lead to a higher risk of abuse for young children, a reduction in wages for child care workers and a general lowering of child care standards. They see this proposal as a reversal of the progress that has been made over the years to professionalize child care and improve conditions for children being cared for out of the home.

The W-2 plan calls for participant co-payments toward child care costs. The amounts of payment have not been specified, but for low-wage workers even minimal child care payments could reduce family access to regulated care, forcing parents to base child care decisions on what is cheapest, not on what is best for their children.

Transportation Access

It has been well-publicized that there is a geography gap in the labor market. A Wisconsin Policy Research Institute report on employment and transportation issues for the metro-Milwaukee area states that 7 out of 10 new jobs created between 1970 and 1990 were located outside the city of Milwaukee.¹³ The Employment and Training Institute's survey shows that just 26.5% of metro area job openings are located in the city of Milwaukee, 29.5% in Milwaukee County suburbs, and 43.2% in the WOW counties (Waukesha, Ozaukee and Washington Counties.)¹⁴ The majority of Milwaukee County's potential AFDC workforce lives in the city of Milwaukee. Since less than 5% of all AFDC clients own cars, the average value of which is \$526¹⁵ this group is dependent on public transportation not only to get to and from work, but to deliver and pick up children from daycare sites. According to officials from the Milwaukee County Transit Company, transportation from Milwaukee's central city to outlying areas is fragmentary and time consuming. Daily bus rides to daycare facilities and suburban job sites

can take up to two hours each way and cost (with proposed fare increases) up to \$100 monthly. For a single parent, the addition of up to four hours of travel time on to an eight hour work day lessens the chances of a successful transition from welfare to employment.

The single bus route that is considered adequate to reach the northwest suburbs is the Fond du Lac Avenue route. There is only one bus route that goes west into Waukesha. This bus stops at Brookfield Square and connects to the Waukesha busline. This route is long and connections are difficult. There are no bus routes to the newly established Franklin Industrial Park. Menomonee Falls buses run from the suburbs into the downtown area in the morning and back in the evening; there are no day shift routes leaving the city that go to Menomonee Falls. The metro link bus service to the southwest side was canceled and no buses go from central Milwaukee to the cluster of nursing homes on Green Tree Road and Mill Road. In short, public transportation as currently constituted cannot meet more than a small portion of the transportation needs of this newly mandated workforce.

Impact on the State Economy

- 4) The influx of even a portion of current welfare recipients into the low-wage labor market will result in a substantial reduction in wages to those currently employed in low and moderate wage jobs.**

A basic economic tenet holds that, other things being equal, when labor supply increases, wages tend to be depressed by the larger number of workers competing for available jobs. The Economic Policy Institute of Washington, D.C. (EPI) has just published a report in which they estimate the impact of the welfare reform bill currently before the U.S. Senate. This proposal would place about one-fifth of adults currently on welfare in Wisconsin in jobs. These former welfare recipients would be competing for jobs primarily with those who are already low-wage workers. EPI estimates that low and moderate wage workers in Wisconsin — defined as those earning less than \$7.27 an hour — would see their wages fall 8% with even this limited influx of welfare recipients¹⁶. The W-2 proposal (with its much greater movement of new entrants into the work force) would obviously compound this effect.

This is especially true in Milwaukee County where 32,000 AFDC recipients would enter the workforce and where unemployment is high and wages are already lower than in outlying areas. Economics Professor Robert Drago of UW-Milwaukee has found that "workers residing outside the county of Milwaukee earn around \$6,000 more per year than workers living inside the county... and unemployment falls from over 18% to less than 3% as we move from the inner city to the suburbs outside Milwaukee County."¹⁷

Workers in Milwaukee County can ill afford to suffer any more disadvantage in the form of wage depression. An astounding "83.2% of Milwaukee's net employment growth between 1980 and 1990 was workers earning under \$20,000 annually," according to Professor Marc Levine of the UW-Milwaukee Center for Economic Development.¹⁸

CONCLUSION

The W-2 proposal represents a change in the public assistance system on a scale and at a pace never before attempted. This proposal which replaces welfare with an employment program is based on a set of implicit assumptions that have not been clearly stated or verified by the administration. These assumptions include:

- that there are enough jobs to enable the current population of 70,000 AFDC adults to create a self-sufficient lifestyle for themselves and their 153,000 children.
- that current AFDC adults entering the workforce under W-2 have the education and skills necessary to be hired into the existing pool of jobs.
- that there are a sufficient number of qualified providers to care for the thousands of young children whose mothers will be entering full time jobs.
- that parents have access to transportation, not only to the parents' job site but also to the children's daycare facilities.
- that the influx of large numbers of new workers will not negatively impact the wage level for existing workers.

The data compiled in this study indicates that these assumptions are not correct.

There are not a sufficient number of jobs to meet the employment needs of AFDC recipients and the current population of unemployed persons in Wisconsin.

There is a serious mismatch between the skills of the AFDC population being directed into the marketplace and the skill requirements for over 60% of the available jobs.

There are not adequate numbers of day care facilities for the small children whose parents are supposed to be employed outside the home for forty hours each week.

AFDC recipients, especially in Milwaukee County, do not have sufficient means of transportation to reach outlying suburban areas where jobs are clustered.

The influx of entry-level workers into the economy will depress wages for the bottom one-third of the current working population, which in turn threatens their ability to maintain economic self-sufficiency.

As written, W-2 appears to ignore the economic and social conditions in which welfare reform is taking place. Given the findings of the study, it is recommended that policymakers delay passage of this proposal until sufficient provisions are included to address the primary barriers to successful implementation. Additional planning is required to address the significant need for training that will enable current AFDC recipients to obtain the skills needed to meet employer needs. The proposal must address the serious gap in childcare and transportation services requisite for sustained employment. And finally, the proposal must address, directly, the clear need for public and private job creation to ensure family supporting jobs for these thousands of parents required to achieve family self-sufficiency within 24 months.

The precarious position of the population affected, including more than 153,000 children who already face difficult conditions for growing into healthy and successful adults, suggests that a slower, more reasoned approach to welfare reform would better ensure the parents' successful transition to work. This approach must take into account the continued need to invest in Wisconsin's human resources and not resort to a quick-savings or punitive approach that leaves the state with ever higher numbers of families living in poverty.

NOTES

1. U.S. House of Representatives. (1994) Green Book: Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means, page 324.
2. Openings: Average Annual Openings by County and Service Delivery Area. (Eau Claire, Marinette County and La Crosse projections are based on their share of regional employment) WI Department of Industry, Labor and Human Relations. "Wisconsin Occupational Projections to 2000" 1989, the most recent publication of regional projections. State projections are based on the 1995 edition of "Wisconsin Occupational Projections to 2005."
3. AFDC Adult: 1994 monthly average AFDC adults. WI Department of Health and Social Services, 1995.
4. Unemployed: Civilian Labor Force Estimates, January 1995. WI Department of Industry, Labor and Human Relations.
5. WI Department of Industry, Labor and Human Relations. (1995) Table 2A: "Job Service Applicants and Openings by Major Occupational Group." By county, July 1995.
6. WI Department of Industry, Labor and Human Relations. (1990) "Job Service Wisconsin Annual Report," page 7.
7. Ibid, and 1989 Annual Report, page 13.
8. WI Department of Industry, Labor and Human Relations. (1995) Table 2A: "Job Service Applicants and Openings by Major Occupational Group." By county, July 1995.
9. Employment and Training Institute and Social Science Research Facility at UW-Milwaukee. (1995) "Survey of Job Openings in the Milwaukee Metro Area," page 7.
10. U.S. Department of Health and Human Services. (1991) "Characteristics and Financial Circumstances of AFDC Recipients," Table 29: "AFDC Adult Recipients by Years of Education."
11. Entry-level jobs here represent 39% of total openings, based on ETI's findings that 61% of jobs in their survey required some post-secondary training.

Since the Milwaukee metropolitan region may not be representative of the state as a whole in terms of job opening requirements, another calculation was done based on the education or training levels needed to fill the jobs with the most projected openings in Wisconsin for the next ten years (WI Department of Industry, Labor and Human Relations. (1993) "Wisconsin Occupational Projections to 2000," Table 4.4: "Occupations with the Most Job Openings Wisconsin 1990 to 2005.")

Of the occupations listed in DILHR's projection, a slightly lower number of 51% require education or training beyond high school. The following table represents the number of low-skilled openings for each of the counties and the state now using 49% of total openings as the calculation for entry level jobs. In only one county, Marinette, does the difference in methods make a difference. In all other counties shown and for the state, the number of low-skill job openings is insufficient to absorb the number of AFDC recipients who would be entering the labor market under W-2, let alone the number of currently unemployed persons, not all of whom would fall into the low-skilled category.

Alternate TABLE 2. Four-county and statewide comparison of entry level jobs available to low-skill workers entering the workforce under the W-2 program

	Milwaukee	Rock	Marinette	Eau Claire	State
Entry-Level Jobs	9,817	1,410	406	796	41,877
Entry-level AFDC apps	24,297	1,793	373	984	52,401
Entry-level Job gap	14,480	383	none	188	10,524

12. 75.9% of AFDC Adults (those with a high school diploma or less). Figures on educational levels are from US DHHS, see note 10 above.
13. Wisconsin Policy Research Institute. (1993) "Getting Milwaukee To Work: Antipoverty Strategy Where Rubber Meets Road," page 1.
14. ETI, page 23.
15. U.S. Department of Health and Human Services. (1993) "Characteristics and Financial Circumstances of AFDC Recipients," Table 43: "AFDC Families with Countable Assets by Type and Value."
16. Lawrence Mishel and John Schmitt, EPI Briefing Paper; Oct. 1995.
17. Robert Drago. (1994) "Jobs, Skills, Location and Discrimination: An Analysis of Milwaukee's Inner City and Metro Area," page iii.
18. Marc Levine. (1994) "The Crisis of Low Wages in Milwaukee: Wage Polarization in the Metropolitan Labor Market, 1970-1990," page 12.

APPENDIX 1

Labor market assessment of job availability versus placements needed

	Racine Kenosha Walworth	Winnebago Fond du Lac Green Lake	La Crosse	North West counties*
Job Openings²	6,114	5,149	2,287	2,831
AFDC Adults³	5,295	2,047	1,417	2,463
Unemployed⁴	9,214	6,307	2,560	7,118
Total Jobseekers	14,509	8,354	3,977	9,581
Job Gap	8,395	3,205	1,690	6,750

* North West Service Delivery Area for the Department of Industry, Labor and Human Relations includes: Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn counties, calculations made on regional level for this area.

Comparison of the number of entry-level jobs available to the number of low-skill workers entering workforce under W-2 program.*

	Racine Kenosha Walworth	Winnebago Fond du Lac Green Lake	La Crosse	North West counties*
Entry-level Jobs¹¹	2,384	2,008	892	1,104
Entry-level AFDC applicants¹²	4,019	1,554	1,075	1,869
Entry-level job gap	1,635	0	183	765

* This table does not include the current population of non-AFDC unemployed persons seeking jobs in these counties.

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W-2 (WISCONSIN WORKS):
An Analysis of Impact on Families and Children



November, 1995

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BACKGROUND

As of January 1999, Aid to Families with Dependent Children will no longer exist in Wisconsin. AFDC currently provides for approximately one quarter of a million very low-income people in Wisconsin, 70% of whom are children. The program Governor Thompson is proposing as a replacement is called W-2 (Wisconsin Works). The key change under W-2 is that cash assistance will no longer be an entitlement for families with needy children. Instead, low-income parents can choose to participate in the W-2 system, which offers four employment options including private employment, subsidized private employment, community service jobs, and supervised transitional work.

Those persons unable to find private employment would participate in one of three time-limited employment programs. The community service and supervised transitional employment would provide the head of household with a monthly subsidy, roughly equivalent to previous welfare payments, which the person would "work off" doing 40 hours of community service or supervised transitional labor. Because these programs would be considered service for the subsidy, participants would not be covered by minimum wage requirements and would not be eligible for the Earned Income Tax Credit which provides economic assistance to the working poor.

Because W-2 is a significant shift in social policy and will have serious consequences for the 76,000 families on AFDC in Wisconsin, the Institute for Wisconsin's Future (IWF) has conducted a two-part study of the feasibility and potential impact of the W-2 proposal.

The findings of the first IWF study of plans for W-2 were as follows:

1. Statewide, there are less than half the jobs necessary to employ the total number of current AFDC recipients and unemployed persons.
2. Without funded training programs, there will continue to be a serious mismatch between the skill levels of AFDC recipients and the skills required for most openings.
3. Crucial support systems for newly employed parents including child care and public transportation are not available to substantial numbers of persons in designated counties.
4. The influx of even a portion of current welfare recipients into the low-wage labor market will result in a substantial reduction in wages to those currently employed in low and moderate wage jobs.

Cover Illustration: Brother and Sister; oil painting
by Paula Modersohn-Becker.
Collection of Esther Leah Ritz.

EXECUTIVE SUMMARY

The W-2 Program proposes to replace the current system of Aid to Families with Dependent Children (AFDC) with a work program designed to increase economic self-sufficiency and build stability among low-income families currently receiving public assistance.

The Institute for Wisconsin's Future (IWF) has examined the impact of the W-2 Program on the potential for economic self-sufficiency and family stability among current AFDC households in Wisconsin as the second component of a two-part study on the feasibility and impact of the W-2 proposal.

According to the results of this analysis, there are four primary findings:

- 1) Over one quarter of the families participating in the W-2 program (and 43% of all persons impacted) will experience a drop in income. This will leave an estimated 47,886 children living deeper in poverty.
- 2) The combined impact of reduced incomes for 15,000 families and the removal of all supports for an estimated 2,600 families due to sanctions could generate at least a 15% increase in the number of children who will be removed from their homes due to abuse or neglect.
- 3) The costs for out-of-home care for Wisconsin children compared to AFDC increases public assistance levels 135% to 2500% per child per year.
- 4) W-2 has the greatest negative impact on 17,800 high-risk families, including families with three or more children, families headed by a disabled parent and families with special needs children. These families face the largest reduction in income and/or the greatest difficulty in meeting work requirements necessary to secure even basic supports such as Food Stamps and Medicaid.

The results of this research demonstrate that W-2 does not assist the majority of families to achieve self-sufficiency and will contribute to an increased level of family disintegration as additional children are taken from the home and placed in state custody.

While some households may benefit from W-2, too many will not. The current program design does not provide the long-term structure or short-term flexibility necessary to meet the widely varied needs of AFDC families. *Without substantial changes, W-2 will increase the level of crisis in many fragile families and lead to severe and sustained hardship for thousands of Wisconsin children.*

INTRODUCTION

W-2 (Wisconsin Works), Governor Thompson's welfare replacement plan, eliminates public assistance to families with dependent children and institutes a work-based program for parents. Satisfactory participation in W-2 determines access to financial support and support services for recipients and their families. The goal of W-2, according to proponents, is to remove the government from the role of "the other parent in single parent households"^a by:

- 1) Increasing economic self-sufficiency among AFDC recipient families; and,
- 2) Strengthening AFDC families by reinforcing "appropriate behavior."

These goals establish clear criteria for evaluating the W-2 program design. In order to assess how well the Governor's plan could meet these goals, this study by IWF examines the economic impact of the W-2 program on families and the effect of new regulations on family stability and well-being.

FINDINGS:

<p>1. W-2 Results in a Reduced Standard of Living for 25% of the Families Enrolled Impacting Over 68,000 Low-Income Parents and Children.</p>
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The stated goal of W-2 is to promote personal responsibility and financial independence for current and potential welfare recipients in Wisconsin. Many economic assumptions are made about how low-income people will progress up the self-sufficiency ladder that is outlined in W-2. The governor's introduction says the plan "will demand more of participants, but in the long run it will provide independence and a future."^b Is W-2 a plan that will lead to better futures for Wisconsin's poor?

Contrary to the claim of proponents, W-2 will not lead to self-sufficiency for all families. The State estimates that 85% of current AFDC clients will be placed in subsidized employment which leaves most recipient households at or below the AFDC income level. In fact, more than 25% of participating households with children will experience a reduction in income. This will impact over 68,000 persons, 70% of whom are children. Those hit hardest will be large families, who could see their income reduced by as much as \$334 a month. W-2 has been proposed as a ladder to financial independence, but its bottom rungs represent a form of Workfare which will leave thousands of participants in greater poverty than before.

The failure of the program to generate self-sufficiency is rooted in five components of the W-2 design:

- insufficient numbers of private jobs available in the employment market;
- substandard wage levels in the majority of subsidized job placements;
- lack of access to worker rights, such as the minimum wage and the Earned Income Tax Credit;
- substantial reductions in the income of large families;
- lack of training provisions or career ladder into improved working conditions.

Below, each of these factors is reviewed in greater detail.

Employment Projections for W-2 Participants

According to the first study of W-2 conducted by IWF, there are fewer than half the jobs necessary to employ present jobseekers, current AFDC recipients and the unemployed population in Wisconsin. Despite a strong economy, conditions in the state labor market show there are still substantial structural barriers to private sector employment for AFDC recipients.

The state fiscal estimate for W-2, prepared by the Wisconsin Department of Health and Social Services, concurs with this finding. According to projections from the fiscal estimate, only 15% of the current AFDC population will secure jobs in the private market. All other recipients will be placed in state subsidized jobs: 10% in Trial Jobs, which pay the minimum wage; 50% in Community Service Jobs which pay 75% of the minimum wage; and 25% in W-2 Transitions Jobs which pay only 70% of the minimum wage.⁶

These projections, which show 85% of participants in subsidized jobs, appear at odds with the overall approach of the W-2 plan, which stresses placing participants in private sector jobs as quickly as possible. The costs associated with the wages and administration of 45,000 subsidized jobs will be very expensive for the state. Placing such a large number of families in jobs that pay the minimum wage or less will severely limit the capacity of these families to achieve financial independence.

Income Level Projections for W-2 Participants

State policymakers have stated that the W-2 program will generate earnings that surpass current welfare payment levels. However, a comparison of the income available under the current AFDC program and under the three subsidized employment options of the W-2 program shows that for many families, income levels will drop.

Table 1

Comparison of Monthly Income from AFDC and W-2 Subsidized Employment Options^d

AFDC Income	Family Size	W-2 Transitions \$2.98 per hr.	Community Service Jobs \$3.19 per hr.	Trial Jobs \$4.25 per hr.
\$440	2	\$496	\$532	\$708
\$517	3	\$496	\$532	\$708
\$617	4	\$496	\$532	\$708
\$709	5	\$496	\$532	\$708
\$766	6	\$496	\$532	\$708
\$830	7	\$496	\$532	\$708

Shaded cells show families experiencing a decrease in income under W-2.

Table 2

Number of W-2 Households: Projections by Employment Category and Family Size^a

Family Size	W-2 Transitions \$2.98/hour	CS Jobs \$3.19/hour	Trial Jobs \$4.25/hour	Unsubsidized Employment
	25% of Families	50% of Families	10% of Families	15% of Families
1	1,369	2,739	547	821
2	4,808	9,612	1,922	2,882
3	3,519	7,035	1,408	2,109
4	2,015	4,028	806	1,207
5	846	1,691	338	507
6	430	859	172	258
7	443	886	177	266
Total	13,430	26,850	5,370	8,050

Shaded cells show number of families experiencing a loss in income under W-2

^a Families of five or more in the unsubsidized employment category will only be better off if they obtain jobs at \$5.00 per hour or above.

The state fiscal estimate for W-2 projects that AFDC recipients will be placed in employment categories in the following manner when the W-2 program begins:

- **13,430 households will be in W-2 Transitions.** The wage level set for this category of employment is \$2.98 per hour. At full-time employment, the annual income for the W-2 Transitions program will be \$5,960. For any W-2 Transitions family with more than 1 child, this income level will be less money than was received through AFDC. *This means 54% of those expected to enter employment as W-2 Transitions will be financially worse off under W-2.*
- **26,850 households will be in Community Service Jobs.** The wage level set for this category of employment is \$3.19 per hour. At full-time employment, the annual income for the Community Service Jobs component will be \$6,380. For any Community Service Job family with more than 2 children, this income level will be less money than was received through AFDC. *This means 27.8% of those expected to enter employment in a Community Service Job will be financially worse off under W-2.*
- **5,370 households will be in Trial Jobs.** The wage level set for this category of employment is \$4.25 per hour, the minimum wage. At full-time employment, the annual income for Trial Jobs will be \$8,500. For any Trial Jobs family with more than 3 children, this income level will be less money than was received through AFDC. *This means 12.8% of those who are Trial Jobs participants will be financially worse off under W-2.*
- **8,050 households will be in Unsubsidized Employment.** The administration notes that many entry level jobs in Wisconsin currently pay more than the minimum wage. This may not be true in the future if the influx of new workers depresses wages, as has been predicted by some economists.¹ The pay rate at which a W-2 family of any size would have more income working than they did when receiving AFDC is \$5.00 per hour.

It should be noted that this analysis employs a simple, yet strict definition of income as the amount of the AFDC grant, the W-2 grant (for Transitions or Community Service Jobs participants) or the gross wages (for Trial or private jobs). An important change under W-2 is that participants will now be required to pay for a portion of their child care and health care costs, based on a sliding scale which has not yet been made public. So while a \$5.00 per hour job technically means more income than received through AFDC, the increased costs to the participants in W-2 will mean less disposable income for these families.

In total, 15,403 families (28% of all families in the program) are projected to experience a reduction in income under W-2. This will result in a lower standard of living for 68,408 persons — 47,886 of whom are children. (See Appendix 2 for a table showing the effects of W-2 on individuals in families.)

Of the 15,403 families who will be financially worse off under W-2, the biggest change in income will occur for larger families who lose up to \$334 per month. Under W-2, parents of needy children will be placed in employment categories with set pay rates which are the same regardless of family size. W-2 in effect imposes a family cap by standardizing the grant amount for all family sizes under the work program format. However, although participants will be called employees, they will have none of the legal rights of workers. Although the employment options in W-2 are referred to as jobs, the fiscal estimate notes the reality is that "recipients must work off their grants."⁸ By maintaining participants under grant recipient status, it is legal to have employees working for less than minimum wage. In effect, W-2 lowers the amount of public assistance to families under stringent work conditions.

W-2 Impact on Participant Standard of Living

Under W-2, as noted above, 15% of the AFDC population is projected to find private employment, primarily in entry level jobs which pay \$4.25 to \$ 6.00 per hour. They are the "highrollers" of this program. The remaining 85% will earn from \$2.98 to \$4.25 per hour, which results in a maximum annual income of \$8,500. Data from the 1992 Consumer Expenditure Survey shows average annual expenditures for all Midwest families to be \$28,445.⁹ An analysis of the annual expenditures of single-parent families shows a much lower standard of living. Average annual expenditures for a rural single-parent family were \$15,660; while an urban single-parent family spent an average of \$19,530 per year.¹ It is clear that even single parent families, who are accustomed to living on incomes much lower than the rest of society, will face difficult choices on how to allocate the consistent shortage of dollars that will result from participation in W-2.

Lack of Earned Income Tax Credit Support

Statements in support of W-2 are written as if the Earned Income Tax Credit (EITC) is part of the "basic income package"¹ for W-2 participants. There are a number of problems associated with counting this tax credit as income.

1. Under W-2's current design 75% of participants will not be eligible for EITC, the very families who will have the lowest incomes.^k
2. The EITC is not a new benefit under W-2. The EITC is already available to any AFDC recipient with wages. Wisconsin data from 1992 shows that 13% of Wisconsin AFDC families had earnings which averaged \$371 per month. All of these recipients are already eligible for the EITC.^l
3. In order to function as a wage supplement, the credit can be received in payments in the employee's paycheck year round. A recent report from the General Accounting Office shows, however, that less than 1% of eligible workers nationwide took advantage of the EITC advance payment option.^m
4. The amount of the EITC may soon be lowered \$23 billion by Congress in order to reduce federal budget costs.

Limits to Self-Sufficiency under W-2

The federal poverty line for a family of three (the average size family in Wisconsin) is \$12,590. Few, if any, of the families participating in the W-2 program will have incomes high enough to even approach the poverty level. A job paying \$6.00 an hour yields an annual income of \$12,000. It is clear that W-2 does not really present an opportunity for families to escape poverty. How then should self-sufficiency be defined? The General Accounting Office addressed the issue of economic self-sufficiency in a 1993 report. The report states:

"Economic independence and self-sufficiency are elusive concepts that may incorporate 1) freedom from rental housing [assistance] and public assistance, 2) earning adequate income to provide for basic needs, and 3) having enough earnings stability to prevent becoming dependent on government benefits. There is disagreement on what constitutes adequate income; although the poverty threshold is often used as an indicator of well-being, some researchers believe it is too low. Income stability is also an elusive concept for public policy purposes. We used the concept of economic independence from (no longer eligible for) direct, means-tested transfers as a measure of self-sufficiency."ⁿ

The report calculates a "break-even" level for three major government assistance programs: AFDC, Food Stamps and Section 8 Rental Housing Assistance. A family is economically independent from that program when they reach the earning level above which they are no longer eligible for it. The AFDC break-even level for Wisconsin family of three is reached when they have income of \$782 per month.^o

None of the income levels attainable by families through Trial Jobs, Community Service Jobs, or W-2 Transitions would be considered adequate to define them as self-sufficient from AFDC.

Another way of presenting this is to note that if AFDC and W-2 co-existed, most W-2 families would still be eligible for AFDC given the low income levels provided under the plan.

Summary

W-2, as currently proposed, will fail to create the conditions for economic self-sufficiency among over 40 % of the participants and their families and will create conditions of economic deprivation for a substantial number of households.

- 85% of the W-2 participants will be placed in subsidized jobs.
- 75% of those in subsidized jobs will be paid sub-minimum wages.
- The persons working for wages ranging from \$2.98 per hour to \$3.19 per hour will not be eligible for the Earned Income Tax Credit or any other workers' benefits.
- More than 15,000 households will experience a reduction in income which impacts 68,408 persons, of whom 47,886 are children.
- Over 11,800 families with three children or more will experience a drop in income ranging from \$85 to \$334 per month.
- None of the 45,650 families participating in the subsidized employment options of W-2 will achieve an income level that would make them self-sufficient from AFDC and all will be living on incomes well below the poverty level.

Given the lack of training dollars and the short-term nature of the subsidized job programs, heads of households participating in the program are likely to remain in substandard employment positions throughout their tenure in W-2, and no plan is in place for transition to private employment once participants have reached the time limit for participation in W-2.

2. W-2 Threatens Family Stability in Low-Income Communities

Governor Thompson proposes to place significant value on the family. Wisconsin's Parental and Family Responsibility Program (Bridetare) was designed to enhance the two-parent family structure among low-income people. Many state policymakers have testified in public hearings on W-2 that the program will eliminate the need for public assistance by creating the conditions for people to: build self-esteem through employment, maintain a marital bond, and reduce the factors that lead to poverty and family dissolution. While this a laudable goal, data indicates that W-2 may in fact have the opposite effect on families already struggling to maintain physical and emotional stability.

Based on the findings of previous studies, it is probable that the additional economic deprivation inherent in the implementation of W-2 will lead to greater family problems, increased incidence of neglect and abuse and heightened risk of necessary intervention by Child Protective Services. In addition, cuts in grant amounts for kinship care, subsidies for disabled parents and mandated work for parents of special needs children will threaten the tenuous stability of fragile households already overwhelmed by economic, social and physical pressures.

The W-2 proposal will increase risk of family dissolution by:

- reducing family income for participating families already living at or below poverty.
- eliminating income and support service resources for families where parents are not included in the W-2 system.
- reducing supports for disabled parents and family caretakers who are already facing significant barriers to maintaining household stability.
- removing parents of special needs children from the home and creating the need for expensive and specialized care programs for the children they leave at home.

The following presents an analysis of each of these risk factors in some detail.

Relationship between Poverty and Child Abuse/Neglect

Under the new W-2 system, approximately 15,403 households will experience a drop in income. At current levels, AFDC families with no other sources of income are well below poverty level. A reduction in income under W-2 will make thousands of families destitute. Child neglect is strongly correlated with poverty. Children in families with incomes below \$15,000 are five times more likely to have been abused or neglected than children in families with incomes over \$15,000.⁸ Child neglect reports account for approximately 50% of all reports to Child Protective Services in Wisconsin.⁹

Both the National Incidence Studies and the American Humane Association surveys reveal a dramatic funneling effect in regard to income, with poorest children being at greatest risk of child abuse and neglect and the wealthiest children being at least risk. This funneling effect is very fine tuned. The AHA data, for example, revealed a perfect inverse relationship between income bracket and the percentage of validated reports an income bracket accounted for, moving up the income scale through a dozen brackets, most of which were not more than \$2,000 to \$3,000 in width. Such a finding would be truly difficult to explain in terms of personal biases in the identification and reporting of child abuse and neglect.¹

With the further loss of income probable under W-2, local social service providers are predicting that a substantial number of parents will be unable to meet the most basic needs of their children. According to Wisconsin State Law, children cannot be removed from the home for reasons of poverty alone; but the inability to provide shelter, heat or food to children is grounds for removal from the home. State policymakers have already linked the implementation of W-2 to the possibility of more interventions. The Financial and Employment Planners would be expected to monitor the family and "refer child neglect cases to social services should the family situation deteriorate,"² according to Jean Rogers, Director of Wisconsin Department of Health and Human Services. Administrators from Milwaukee County Children's Court and Milwaukee County Department of Social Services are already anticipating an increase in the number of children referred to Child Protective Services due to the inability of parents to meet basic needs.

W-2: Loss of Income and Services Among High-Risk Families

While more than 15,000 families face a substantial reduction in income under W-2, up to 8,000 families face the possibility of losing all financial aid, Food Stamps and Medicaid benefits due to program non-compliance. These are families who will be "sanctioned" (denied benefits) for failure to comply with W-2 regulations. Sanctions will be imposed for the following reasons:³

- 1) recipient's children do not attend school;
- 2) recipient refuses to participate three times in any W-2 employment position; and,
- 3) recipient refuses to cooperate with the establishment of a child support order.

The state has projected a 3.5% sanction rate under W-2. The sanction level is said to be "based on sanction experience of the current Learnfare, JOBS and child support programs."⁴ However, a 3.5% sanction rate is not consistent with current and recent non-compliance rates in the JOBS, Learnfare or General Assistance programs.

1. 15% of General Assistance recipients were denied checks for not working.⁶
2. Sanctions for the Learnfare program during the first two years of study by the Employment and Training Institute show a sanction range from 15-63%.⁷ Subsequent evaluations of Learnfare by the Legislative Audit Bureau reveal sanction rates between 16 and 59%.⁸
3. JOBS sanctions are currently at 14% in Milwaukee County.⁹

Currently 26% of Wisconsin female AFDC recipients are listed as "mandatory, but not participating" in the JOBS program. Another 36% are exempt for child care reasons and 20% are exempt for other reasons.² This totals 82% of female AFDC recipients in Wisconsin who are not participating now in work requirements. Since the program rules under W-2 will require work for all participants, it is very likely that the sanction rate would be higher. Below are projections for the number of children at-risk based on a range of potential sanction rates.

Table 3
Number of Children Affected Under Different Sanction Projections

Percent Sanctioned	Number of Cases	Number of Children
3.5%	1,879	4,133
5%	2,685	5,907
7%	3,759	8,269
10%	5,370	11,814
15%	8,055	17,721

These estimates show the potential number of families who could experience not only a loss of income through sanctions, but denial of access to Food Stamps, Medical Care and other services tied to W-2 participation as well. The resulting impact on children is either sustained deprivation within the family or removal of the children from the home to state custody.

Increased Budget Impact of Out-of-Home Care

A conservative increase of predicted sanctions at 5% would leave 5,907 children at risk of needing Child Protective Services. If even 20% of these at-risk children were removed from the home for neglect, 1,181 more children would need substitute care. This is a 15% increase over the current number of children in out-of-home care.

If W-2 in any way contributes to an increase in the number of children in out-of-home care, the costs associated with the plan will be much higher than under the current system. The costs for substitute care options are compared to the costs for the current AFDC caseload below. The data clearly shows that increasing the use of substitute care arrangements for Wisconsin children would not be cost-effective.

Table 4

Out-of-Home Care for Children in Wisconsin in 1992^{aa}

Type of Care	Annual per capita cost	Number Children in care
Kinship Care (proposed in W-2)	\$2,580	9,700
Foster Homes	\$5,475	9,075
Group Homes	\$31,390	1,325
Child Caring Institutions	\$46,607	1,575
AFDC	\$1,860	222,453 total persons

Families Excluded from W-2

Over and above the incidence of noncompliance by heads of households, there exists another group of recipients who are at-risk of being "excluded" from the program because they are not cost-effective in the placement system. These clients, who may have limited intellectual capacity, emotional problems or an alcohol or drug problem, will be difficult to place in employment sites, require long periods of case management and become a financial liability to W-2 agencies, who will be paid according to "performance-based incentives established by the department by rule."

These heads of households, already marginal in their capacity to maintain homes, could be waived out of the W-2 caseload for anything from an attitude problem to a misunderstanding of instructions. The W-2 plan gives the agencies authority over these decisions.^{bb} The results of the pay-for-performance job placement design of W-2 may well be more families who are left without resources. This "unrecorded" population of households will have no recourse for aid. Without a safety net to accommodate them, they represent an additional group at-risk for child deprivation, neglect and abuse that would need intervention by Child Protective Services.

Detrimental Impact of W-2 on Fragile Families

There are three categories of families that are especially vulnerable in the face of W-2 regulatory changes: kinship care families, households headed by disabled adults and families with special needs children. Although adults receiving SSI and the non-legally responsible relatives of AFDC children are not expected to work under W-2, the plan will have a negative effect on their economic situation.

Kinship Care Families

Kinship care is a type of foster care for children taken out of the birth home for reasons of neglect or abuse and then placed with relatives, often grandmothers. There are 5,600 kinship care households in Wisconsin, caring for 9,700 children. Kinship care has provided a safety valve for the Child Protective Services system. With an increasing shortage of regular foster homes, protective service caseworkers have come to rely on placements with relatives.

Under W-2, financial support for kinship care is reduced from standard AFDC payments to \$215 per month. The reduction in funding could affect the stability of the caretaking arrangement. A recent article which compares kinship foster care to regular foster care noted that kinship caregivers are generally "an older population and one heavily represented by single women of color who are struggling themselves with limited incomes."^{cc} The article also noted that "over four-fifths of both kinship foster parents and foster parents used their own money, above and beyond payments, for the children in their care."^{dd}

Often, the kinship care arrangement is a voluntary one, in which the child is removed from the home by a protective service worker and placed with a relative. If the relative agrees to keep the child and the parent(s) agrees to the arrangement, then Children's Court is kept out of the arrangement. These voluntary placements save money and staff time in both the Department of Social Services and in the court. It is possible that a reduction in the income available to kinship caregivers would discourage them from taking on that added responsibility, and would mean that more children would be in need of regular foster homes.

Supplemental Security Income Families

There are 5,400 families where the parent is disabled and receiving Supplemental Security Income (SSI) payments. The standard payment for a parent receiving SSI is \$541. Under the W-2 program, the 12,000 children in these households who had previously received regular AFDC payments will see their monthly subsidies drop to \$77 per child. For a family with more than two children, the drop in monthly income will be approximately \$300 per month."^{ee}

In addition, there are an estimated 600 special needs children in Wisconsin who receive Supplemental Security Income payments whose families also receive AFDC for siblings or for a caretaking parent. These parents have been exempt from AFDC work requirements so that they can care for their children. The majority of these children are mentally retarded, others have debilitating diseases and some are blind. If these parents are subject to work requirements under W-2, this will result in the need to fund costly childcare arrangements to accommodate the children's special needs." Or, alternatively, families could be denied income and service assistance if parents don't work and are then sanctioned under the W-2 system

Summary

W-2 in its current form will have a negative impact on more than 25% of participating households, which will threaten family stability and the well-being of children and the disabled. There is an increased risk of family problems rooted in financial deprivation and stress that will likely lead to greater incidence of child neglect, abuse and family disintegration. Findings leading to this conclusion are:

- Studies show that there is an inverse relationship between income and incidence of child abuse. The reduction in income in over 15,000 homes generated by W-2 is predicted to increase cases of child neglect and abuse.
- Between 4,100 and 5,975 children will be at high-risk for neglect given the removal of all income and service benefits for the 3.5% to 5% of families expected to be sanctioned for non-compliance with W-2 regulations.
- The cost of out-of-home care for children removed from the home will range from 135% - 2500% higher than AFDC, with foster care costing 300% more than AFDC.
- In a significant number of kinship care homes, families will experience a reduction in support, jeopardizing household income stability and reducing home care resources for Child Protective Service providers.
- The 5,400 families headed by disabled adults caring for over 12,000 children will see a drop in child support from \$249 per child to \$77 per child resulting in financial hardship for the most vulnerable of families.

CONCLUSION

If the goal of W-2 is to increase family self-sufficiency and strengthen family stability, the program is likely to fail. The analysis of state data indicates the following:

- In total, W-2 will leave more than 40% of its parents and children in a financially worsened situation, reducing income levels for 25% of the families. In addition, W-2 introduces stringent work requirements in environments lacking the basic supports for working parents.
- Criteria for family stability include the capacity of family heads to provide for the basic needs of dependents, the ability of caretakers to sustain secure supervision of young children and the long-term ability of the family to remain intact as a unit until children are mature and ready to form their own families.

Using these very fundamental criteria, W-2 will introduce severe economic insecurity into already impoverished households; increase stress on supervisory structures for children and heighten the probability of neglect and abuse incidents precipitating the potential removal of children from their homes. In addition, the program decreases incentives to family members who are taking care of children in need of protective custody by reducing some kinship care subsidies.

- By reducing assistance to households headed by disabled persons and introducing work requirements to families with special needs children, W-2 will add to the financial and functional burden facing families already at a severe disadvantage in this highly competitive society.

These families will be shattered, not strengthened by the implementation of W-2.

Notwithstanding the good intentions of the planners and proponents of W-2, the legislation must be thoroughly reviewed and restructured lest Wisconsin enact a policy that could be viewed as unwarranted and unusually cruel punishment for the most vulnerable of its citizens.

Appendix 1

County	Number of AFDC Children	Children At-Risk Due to W-2 Sanctions (5%)	Projected Increase in Out-of-Home Care	% Increase Over Current Foster Care Capacity
Brown	4,375	218	44	25%
Chippewa	1,235	62	12	50%
Dane	6,418	321	64	14%
Eau Claire	2,622	131	26	40%
Fond du Lac	1,387	69	14	20%
Juneau	528	26	5	18%
Kenosha	4,708	235	47	22%
La Crosse	2,877	144	29	23%
Marinette	839	42	8	40%
Milwaukee	77,698	3,885	777	18%
Racine	6,416	321	64	23%
Rock	4,882	244	49	20%
Sheboygan	1,653	83	17	22%
Winnebago	2,470	123	25	20%

This table uses a sanction rate of 5% for the W-2 program. It is estimated that 20% of children in households without income due to sanctions will be in need of protective service arrangements. The resulting impact on foster care capacity in Wisconsin is predicted from these numbers.

Appendix 2

Total Number of Persons in W-2 Families by Employment Category

Family Size	W-2 Transitions	CS Jobs	Trial Jobs	Unsubsidized Jobs
	Persons	Persons	Persons	Persons
1	1,383	2,765	553	821
2	9,616	19,224	3,844	5,764
3	10,557	21,105	4,230	6,327
4	8,060	16,108	3,219	4,828
5	4,230	8,455	1,690	2,535
6	2,580	5,154	1,032	1,548
7	3,101	6,202	1,239	1,862
Total	39,527	79,013	15,807	23,685

Shaded cells show number of individuals experiencing a loss of income under W-2.

Due to the disproportionate impact of W-2 on larger families, a higher percentage of individuals will be in families with lower incomes. The negative impact of W-2 will affect dependent children the most.

	Lower Incomes Under W-2	Higher Incomes Under W-2
Families	28%	72%
Individuals	43%	57%

Notes

^a. Governor Tommy G. Thompson. (1995) "W-2 Wisconsin Works," program summary page 3.

^b. *ibid*, page 2.

^c. Wisconsin Department of Health and Social Services. (1995) Fiscal Estimate to Assembly Bill 591, page 2.

^d. *ibid*, page 1-2.

W-2 Transitions annual income: \$2.98 per hour x 2,000 hours per year.

Community Service Jobs annual income: \$3.19 per hour x 2,000 hours per year.

Trial Jobs annual income: \$4.25 per hour x 2,000 hours per year.

Monthly incomes are calculated by dividing by 12.

^e. Wisconsin Department of Health and Social Services. (1995) Fiscal Estimate to Assembly Bill 591, page 2.

Calculations of how many recipients are contained in each AFDC family unit in Wisconsin are derived from: U.S. Department of Health and Human Services. (1993) "Characteristics and Financial Circumstances of AFDC Recipients," Table 3: "Number of persons in the assistance unit (family)."

Family Size	
1	(10.2%)
2	(35.8%)
3	(26.2%)
4	(15.0%)
5	(6.3%)
6	(3.2%)
7	(3.3%)

^f. Lawrence Mishel and John Schmitt. (1995) "Cutting Wages by Cutting Welfare," (DC: Economic Policy Institute), page 7. This paper predicts an 8% decrease in wages if 14,000 Wisconsin welfare recipients enter the state labor market.

^g. Wisconsin Department of Health and Social Services. (1995) Fiscal Estimate to Assembly Bill 591, page 1.

^h. U.S. Department of Commerce, Bureau of the Census. (1992) "Consumer Expenditure Survey," Table 8: "Region of residence: average annual expenditures and characteristics."

ⁱ. Mark Lino. (1995) "Income and Spending of Rural Single-Parent Families," Family Economics and Nutrition Review, Vol. 8, No. 3, page 23. This study uses the 1990-1992 Consumer Expenditure Survey.

^j. Governor Tommy G. Thompson. (1995) "W-2 Wisconsin Works," program summary, page 7.

Food Stamps are considered part of the Basic Income Package as well. While it is true that W-2 families will be eligible for food stamps, it is also true that most AFDC families also receive food stamps (86.2% nationally, Green Book 1994), so this is not a new benefit or income source for W-2 families.

Food Stamps Maximum Benefit By Family Size
2 — \$212
3 — \$304
4 — \$386
5 — \$459
6 — \$550
7 — \$608

The actual benefit is derived from these amounts by subtracting 30% of net income.

k. Thompson, (1995) "W-2 Wisconsin Works," program summary, page 7.

l. U.S. Department of Health and Human Services. (1993) "Characteristics and Financial Circumstances of AFDC Recipients," Table 38. 10,454 Wisconsin AFDC recipients had wages.

m. U.S. General Accounting Office. (1992) "Earned Income Advance Payment Option," page 2 & 10. 40,000 workers out of an eligible 11.6 million took the advance payment option.

n. U.S. General Accounting Office. (1993) "Self-Sufficiency: Opportunities and Disincentives on the Road to Economic Independence," page 18.

o. *ibid*, page 25.

p. Leroy Pelton (1994) "Is Poverty a Key Contributor to Child Maltreatment?" Controversial Issues in Child Welfare, edited by E. Gambrell and T. Stein. (Boston: Allyn and Bacon) page 18.

q. WI Department of Health and Social Services, Bureau for Children, Youth and Families (1992) "1992 Child Abuse and Neglect Report," page 22. 21,197 neglect reports out of 44,963 total.

r. Pelton, page 18.

s. John-David Morgan. "W-2: No Panacea, No Safety Net" Shepherd Express, Aug. 31, 1995, page 5.

t. WI Department of Health and Social Services (1995) Fiscal Estimate to Assembly Bill 591, page 3.

u. *ibid*.

v. Gretchen Schuldt. Milwaukee Journal Sentinel "Official says county could deny support to thousands" Aug. 17, 1995, Section B, page 1.

w. J. Pawasarat, L. Quinn, F. Stetzer. (1992) "Evaluation of the Impact of Wisconsin's Learnfare Experiment on the School Attendance of Teenagers Receiving AFDC" (Milwaukee: Employment and Training Institute), pages 9-10.

x. Wisconsin Legislative Reference Bureau. (1994) "An Overview of AFDC in Wisconsin," Table 5 "Characteristics of Learnfare Teenagers with Reported Attendance Problems 1992-1993" page 23.

y. Wisconsin Department of Health and Social Services. Wisconsin CARES system report as of 10/31/95 lists 28,776 JOBS participants. 4,286 of these participants are at some level of sanctions.

z. U.S. Department of Health and Human Services. (1993) "Characteristics and Financial Circumstances of AFDC Recipients," table 24 "Female Adult Recipients by Employment Training Program Status."

^{aa}. Wisconsin Legislative Audit Bureau (1993) "Child Caring Institution Costs," Table 1: "Out of Home Care Cost and Capacity, 1992" page 9.

^{ab}. 1995 Wisconsin Assembly Bill 591: 49.1452j) The bill states as one of the non-financial eligibility requirements: "The individual has made a good faith effort, as determined by the Wisconsin Works agency on a case-by-case basis, to obtain employment." Current AFDC records do not include information on problems of exclusions, but a Milwaukee County administrator has noted that the creation of the Enhanced Job Centers in Milwaukee was in part a response to problems of placing some of the "harder" clients, i.e. those facing more severe employment barriers.

^{ac}. J. Berrick, R. Barth, B. Needell, (1994) "A Comparison of Kinship Foster Homes and Foster Family Homes: Implications for Kinship Foster Care as Family Preservation," Children and Youth Services Review, vol. 16, nos1/2, page 36.

^{ad}. *ibid*, page 56.

^{ae}. WI Department of Health and Social Services (1995) Fiscal Estimate to Assembly Bill 591, page 4.

Number of Children	Proposed SSI Children's Supplement	ADFC Income	Drop In Income for SSI Families
1	\$ 77	\$249	- \$172
2	\$154	\$440	- \$286
3	\$231	\$517	- \$286
4	\$308	\$617	- \$309
5	\$385	\$709	- \$324
6	\$462	\$766	- \$304
7	\$539	\$830	- \$291

^{af}. U.S. House of Representatives, Committee on Ways and Means (1994) Green Book: Overview of Entitlement Programs Table 6-22 "Number of Persons Receiving SSI Payments, by State," page 250. 106,198 total SSI recipients in Wisconsin. A conservative estimate of AFDC reciprocity rates is calculated for these families at the same rate for the rest of the state population: 4.5%. It is likely that families with special needs children receive AFDC at a higher rate. 13,380 of state SSI recipients are estimated to be children, based on the national figure of 12.6%.