

WR-Wisc.

Wisconsin Works (W-2) - Fact Sheet

- The Wisconsin Works (W-2) demonstration proposal is a Statewide project which, in part, would establish competitively-bid *County* contracts with public or private agencies. The public or private agencies would be responsible for certification actions such as gathering client eligibility information, conducting eligibility interviews and inputting data for those food stamp households which are subject to W-2 work requirements.
- There are 72 counties and 11 Indian Tribal Organizations (ITO) in Wisconsin. In 61 counties, the County Social or Human Services Department earned and exercised its right of first selection to administer the W-2 project. Two ITOs also earned and exercised the right of first selection. Therefore, competitively-bid contracts will be awarded for the W-2 project in 11 counties and 9 ITOs. However, the State could, at some point in the future, contract with a private agency for the W-2 project in a County office that does not meet a specified level of performance.
- Private organizations that are awarded contracts may perform aspects of the certification process that are currently required to be handled by merit employees. W-2 employees will be responsible for food stamp households that are subject to work requirements. Food stamp households that are exempt from W-2 work requirements, such as the elderly and disabled, will continue to be certified by public employees.
- In Milwaukee County (which is divided into six regions), six private, non-profit agencies have been awarded contracts. The State indicates that these agencies will be subcontracting with County merit employees to perform the food stamp eligibility interviews and related verification functions. Approximately ~~60~~⁴⁵ percent of the State's food stamp caseload is in Milwaukee County. 37% now
48% if fully
- The public and private agencies administering the W-2 project are required to use the State's computer system. The W-2 project contractors will not be responsible for any redesign or related maintenance of the State's computer system.

TANF people w/ TANF + FS benefits

Always must pay for those not work-ready

Non profits, some partnered w/ EDS, Maxims

Private employees do data entry, state computer gives OK. State Q&A appeals.

Evaluation, can't be statewide, has to be time-limited

What conditions + restrictions? 48% or less? How many counties?

Interview only would be same as saying No. Could limit to 37% w/ evaluation 1st.

Research basis: gubernatorial counties, sub-Milwaukee regions.

Conditions: Limit future K changes unless coming back to USDA approval, before they do another round.

Program integrity.

Resolved all other issues.

USDA needs another month for more in writing, maybe longer.

Don't limit # of counties, but require future approval. Limit # of yrs to keep attention down.

W. Wise

December 2, 1997

TO: Bruce Reed and Elena Kagan
FROM: Cynthia Rice and Andrea Kane
CC: Diana Fortuna
SUBJ: Background on Wisconsin Works (W-2)

We hear Governor Thompson is stopping by on Thursday, and thought you would like this summary of some key elements of Wisconsin Works (W-2), which includes some information Cynthia got from her recent visit to Milwaukee.

Everyone works: Effective 9/1/97, W-2 replaced welfare in Wisconsin. Everyone must do some kind of work, and cash is based on participation in work. There is no entitlement to assistance, but there is "a place for everyone who is willing to work to their ability." The program is available to all parents with minor parents, low assets and low income.

Self-Sufficiency Ladder: W-2 includes four kinds of work ranging from unsubsidized employment to W-2 Transitions depending on someone's ability (see attachment). It might be interesting to ask about the relative priority and utilization of these four activities.

New role for staff: Wisconsin has replaced eligibility workers and case managers with "financial and employment planners" who focus on self-sufficiency and responsibility. The FEPs are available to help people once they've entered unsubsidized employment.

Investment in support services and retention: Wisconsin has invested heavily in support services to help people transition from welfare to work and to help families maintain employment. Governor Thompson has been very vocal about the importance of investing in child care. All low income families below 165% of poverty are eligible for child care subsidies on a sliding fee basis, regardless of whether they have been on welfare. W-2 agencies may provide post-employment services including job coaches, training, education, and transportation to help someone succeed on the job.

One-Stop Job Centers: These are the single point of entry for employers and job seekers--W-2 participants as well as others. The state has entered into a contract with a W-2 agency for each county, with the exception of Milwaukee which has 5 contractors (see attached). In most places, the county is the W-2 agency; in Milwaukee, the W-2 contractors include private for profit and non-profit entities.

Earned Income Credit: Wisconsin is a strong advocate of the EIC, including the Advance EIC option (where employees get a portion of their EIC in each paycheck). The state is also one of four to have a refundable state EIC.

W-2 Self-Sufficiency Ladder

	Basic Income Package (At 40 Hours)	Weekly Work Week	Program Time Limits
A	Unsubsidized Employment Market Wage +Food Stamps +Earned Income Credit (EITC)	Up to 40 hours	None
B	Trial Jobs Min. Wage (\$5.15*) +Food Stamps +EITC <i>(*Employers may pay more.)</i>	Up to 40 hours	3 to 6 mos. per job; 24 month maximum
C	Community Service Jobs \$673 Monthly Grant (\$3.88 Hr.) +Food Stamps (No EITC)	Up to 40 hours (Up to 30 work Up to 10 training, etc.)	6 to 9 mos. per job; 24 month maximum
D	W-2 Transitions \$628 Monthly Grant (\$3.62 hr.) + Food Stamps (No EITC)	Up to 40 hours (Up to 28 work) (Up to 12 training, etc.)	24 month limit; extensions permitted on case by case basis

Five year lifetime max. in (W-2) - Two year max. in any one area.



WISCONSIN WORKS



**A PLACE FOR EVERYONE
A SYSTEM OF EMPLOYMENT SUPPORTS**

Wisconsin Works (W-2) is the welfare replacement program for Aid to Families with Dependent Children (AFDC) based on work participation. Under W-2, there will be no entitlement to assistance, but there will be a place for everyone who is willing to work to their ability. The program is available to all parents with minor children, low assets and low income. Each W-2 eligible participant will meet with a Financial and Employment Planner (FEP), who will help the person develop a self-sufficiency plan and determine their place on the W-2 employment ladder. The ladder consists of four levels of employment options, in order of preference:

- 1. Unsubsidized Employment:** Individuals entering W-2 will be guided first to the best available immediate job opportunity. The W-2 agency will support the participant's efforts to secure employment. Persons in unsubsidized employment may also be eligible for earned income credits, food stamps, Medical Assistance, child care and job access loans.
- 2. Trial Jobs (subsidized employment):** For those individuals who are unable to locate unsubsidized work, but have a willing attitude, the FEP will explore options for subsidized employment. These trial job contracts are a way to help the employer cover the cost of training a person who might need just a little extra support in the first three to six months. Trial jobs will be expected to result in permanent positions. Participants will receive at least minimum wage for every hour of work. The employee may be eligible for earned income credits, food stamps, Medical Assistance, child care and job access loans.
- 3. Community Service Jobs (CSJs):** For those who need to practice the work habits and skills necessary to be hired by a regular employer, CSJs will be developed in the community. CSJ participants will receive a monthly grant of \$555 for up to 30 hours per week in work activities and up to 10 hours a week in education or training, and may be eligible for food stamps, Medical Assistance, child care and job access loans.



State of Wisconsin
Department of Workforce Development

Division of Economic Support
April 1997

4. **W-2 Transition:** Transition is reserved for those who are unable to perform independent, self-sustaining work. W-2 transition participants will receive a monthly grant of \$518 for up to 28 hours per week participating in work or other developmental activities up to their ability and up to 12 hours per week in education or training. W-2 transition participants may be eligible for food stamps, Medical Assistance, child care and job access loans.

W-2 participants are limited to 24 months in a single work option category, other than unsubsidized employment. The maximum lifetime participation limit is 60 months in work option components. Extensions may be available on a limited basis when local labor market conditions preclude opportunities.

EMPLOYMENT SUPPORTS

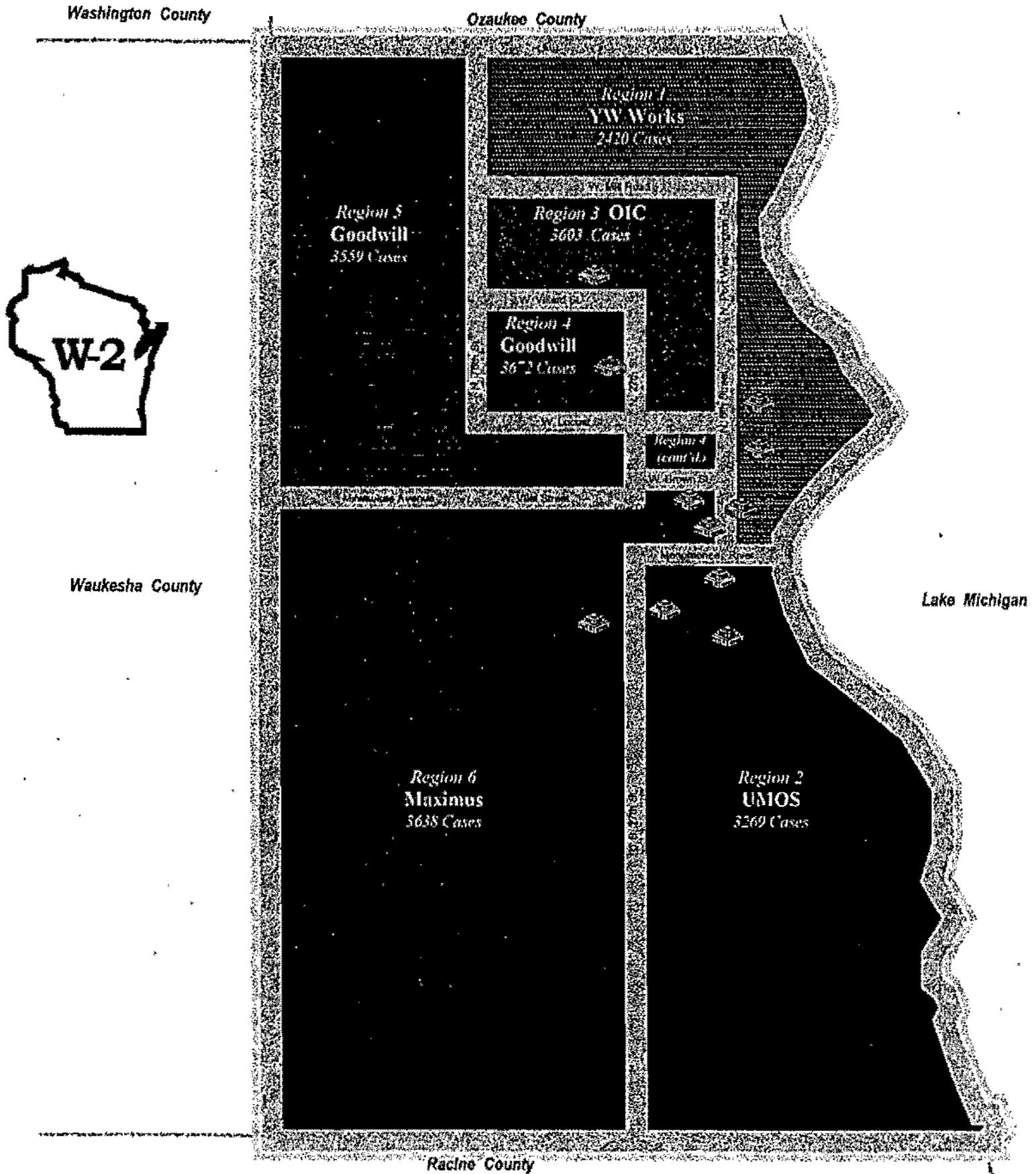
A major part of W-2 consists of the related support services and features designed to facilitate access to and sustain employment.

- **Job Centers** will combine job search, job opportunities, education and training, and W-2 services in one location. This promotes integrated access to many related services.
- **Local Children's Services Networks and Community Steering Committees** will organize community leaders to coordinate resources leading to self-sufficiency.
- **Child Support** will be paid directly to custodial parents and will not cause a reduction of the benefit payment, unlike the current AFDC system.
- **Child Care** will be available to more low-income working families on a co-payment basis.
- **Job Access Loans** will be available to help families meet immediate financial needs that sometimes prevent them from working—like car repairs and personal emergencies.
- **Transportation Assistance** will ensure that parents can get their children to day care and themselves to work.
- **Health Care** will be available through Medical Assistance until the W-2 Health Care plan federal waiver is granted.

The anticipated date for statewide implementation is September 1997.



Milwaukee County W-2 Regions



* Caseload data represents the estimated number of people likely to receive W-2 services as of February, 1997.

— Department of Workforce Development

WR - wise

**Meeting on the Wisconsin Waiver
Thursday, May 1, 1997
11:00 a.m.
Room 211, OEOB**

- Bruce Reed
- Elena Kagan
- Ken Apfel
- Anne Lewis
- Cynthia Rice
- Emily Bromberg (not attending--out of town)
- Yvette Jackson, USDA
- Art Foley, USDA
- John Monahan, HHS
- Margaret Pugh, HHS
- Sally Richardson, HCFA

Wisconsin Works' — or else gets cut off

Wisconsin has slashed the number of welfare recipients by 85% since 1987 using a simple approach: If you don't work, you don't get assistance.

By Richard Wolf
USA TODAY

MILWAUKEE — Catina Collins was watching TV in a dark apartment, 4-year-old daughter Tia on her lap, when an agent for the state of Wisconsin knocked on the door.

"We're here to assist you in working," said Stephanie McAlister, one of the hundreds of people busy hunting down welfare recipients here.

Collins sat sheepishly on her purple couch. "I was trying to avoid them," she admitted. Nothing doing.

On April 1, Wisconsin will become the first state in the nation to wipe out the old welfare system, which for 63 years has paid poor families to stay home. Every adult judged ready to work will be cut off welfare. Those who aren't ready must do something to earn their check — work, look for work or prepare for work. Only families with children under 12 weeks old are exempt.

The whole world is watching. Wisconsin pioneered welfare reform in 1987 and has been a testing ground ever since, attracting lawmakers and journalists from as far as Great Britain and Japan.

The results are impressive. Welfare rolls have plummeted 85% in a decade, from nearly 100,000 families to fewer than 15,000. Since the "Wisconsin Works" program went statewide in September, an average of 150 families a day have been cut off.

Fewer than 2,000 families remain on the old system, and their days are numbered. "I'm hoping that on April 1, we don't have people getting the shock of their lives," says David Blaska of the state Department of Workforce Development.

There have been fiscal and human costs. State welfare spending held steady for a decade but rose 43% from 1986 to 1997 to pay for child care, job training, transportation and other services. Spending per family is up by 103% since 1994. Even so, some are falling deeper into poverty, hunger and homelessness.

'No more welfare checks'

But with unemployment in Wisconsin at 3.4%, employers are recruiting welfare recipients at job centers that have replaced welfare offices. Already, 33 of the state's 72 counties have no one left on welfare who isn't working for his or her check. Fond du Lac County, where the program began last year, has three families left to convert.

"If welfare reform was considered war, the war's over," says Fond du Lac welfare director Ed Schilling.

When Gov. Tommy Thompson stood in nearby Racine in 1995 and predicted the end of welfare, few knew how fast the end would come. "There will be no more welfare offices, no more welfare checks, no more welfare families," he declared.

That's the hope of all 50 states under the welfare reform law signed by President Clinton 18 months ago. But most states are two to four years away from that elusive goal. "Nobody in the world has tried what we're doing," Thompson says.

The toughest challenge is in Milwaukee, the nation's 17th-largest city, with more than 600,000 residents. About 65% of the state's welfare recipients live here, including most of those the state is trying to track down. They face losing their checks — \$617 a month for a family

of four. Medicaid, food stamps and disability benefits remain, but aren't enough to support a family.

To track down the last welfare recipients, the state is spending \$140,000 on television, radio and print ads warning that the old welfare system is ending. Five private agencies hired by the state to transform the city's welfare program are knocking on doors, holding "job fairs" with employers and opening offices on Saturdays. Welfare recipients must make a date with their local job center. "Show up for your appointment prepared to find a job," says one flier.

Four possible fates

Those who show up face one of four fates: They can be classified as "job-ready," cut from welfare and told to find work. They can get a "trial" job, in which the state pays the employer \$300 a month to subsidize a private wage. They can be placed in a "community service" job for \$673 a month in state aid. Or they can get \$628 a month for a mix of work, training and health care.

About 35% of Wisconsin welfare recipients have been told to go find a job. For those who comply, the program offers a generous array of support services: child-care subsidies, bus passes, even low-interest loans for necessities such as a used car.

Medicaid and food stamps are continued until recipients' income rises above poverty level, which is \$16,050 for a family of four. Typical starting wage: \$6 an hour.

Nearly 85% of recipients are put in the lower two work-for-welfare categories. Most work 20 to 30 hours a week, leaving time for education, training and job-hunting. Years of dependency have left these welfare recipients, mostly women, unprepared for work. "Our job retention is low," says Joyce Holland Sedh, who runs an office for Manpower, a private temporary-help firm.

What's not clear is whether those leaving the welfare rolls are better off. The only independent study in Wisconsin found that of 25,000 adults on welfare in December 1995, about 18,000 found work within 15 months. But much of it was part time, turnover was high, and wages were low.

Only a small number of those who don't get jobs wind up at homeless shelters or soup kitchens. The rest remain a mystery. "Well, they're off the welfare rolls," says Patrick Vanderburgh, executive director of the Milwaukee Rescue Mission, "but where are they?"

Thankful for motivation

The average client here, as elsewhere, is a woman in her 20s with three children, no high school degree and no transportation — a challenge for those charged with moving stay-at-home mothers into the workplace. But many of the women at the center of this social experiment are glad they're being motivated.

"I hadn't ever had a job," says Marsha Krutina, 46, whose 18 years on welfare ended in January with a light assembly job at Goodwill Industries. "It's like, I have control. The government's not telling me what to do anymore."

Daran Wiley, 36, a single father of four who spent 13 years on welfare, now spends his mornings loading hangers into boxes at a Goodwill warehouse. "Being on welfare didn't do anything but make you lazy," he says, recalling his daily commute from the TV to the kitchen and back. "I want my kids to be proud of me."

But welfare reform is not without hardship. The lines at soup kitchens are a little longer. Homeless shelters are seeing repeat visitors. The Joy House family shelter in Milwaukee averaged 81 residents a night in 1997, up from 44 in 1996. "The quote from almost every woman is, 'They've taken my money,'" says shelter director Barbara Vanderburgh. "They're very frightened."

Wanda Cogshell, 32, wandered into Joy House a month ago after being cut from the welfare rolls. She had considered putting her five children in foster care. "I had no way to feed them or take care of them," she says. Now she's working part time for a \$673 monthly benefit.

Elizabeth Colston spent 17 years on welfare until November, when she was forced to work for \$628 a month in the least-demanding job category. She rides a bus two hours each way to spend her mornings assembling and loading boxes. "It's miserable. It's painful. It's degrading," she says.

Critics cite examples of computer glitches and caseworker errors that have left poor women and children in need of emergency services. "The goal is to cut the rolls. What happens to you, they could care less," says Truth Freemynt of 9 to 5, which represents working women.

But the transformation in Wisconsin has led welfare director Jean Rogers to this vision of the future: "If someone came along and said, 'Where's the welfare office?' no one would know what they're talking about."

USA TODAY

WEDNESDAY, MARCH 11, 1998

Military jury takes up McKinney case today



McKinney: The Army's former top enlisted soldier leaves a Virginia courthouse Tuesday.

From staff and wire reports

FORT BELVOIR, Va. -- A military jury was set today to begin deliberating the fate of the Army's former top enlisted soldier.

Command Sgt. Maj. Gene McKinney, 47, faces 19 charges, including obstruction of justice.

"This is a case about character," McKinney's civilian lawyer, Charles Gittins, told the eight members of the jury as McKinney's five-week court-martial trial wound down.

"This case is about the highest enlisted soldier in the Army abusing the power that was given to him," countered Lt. Col. Michael Child, the chief prosecutor.

Gittins called McKinney "the living embodiment of Martin Luther King's dream."

In contrast, six military women who accused McKinney were described by Gittins as "liars, cheats and admitted frauds." He said prosecutors and investigators tried to influence testimony and mislead the jury.

"Would you convict him on the basis of these lies?" Gittins asked the panel of two women and six men at

the end of four hours of defense argument. "The stakes are very high: a man's life hangs in the balance and you must be very, very sure."

The accusers have said McKinney used his rank as sergeant major to intimidate them, grab some of them, try to kiss some, make threatening statements to them, hint that he was a powerful man "who could make things happen, good and bad", and in one case, pressure a woman to have sex.

The women came forward after McKinney's initial accuser, public affairs officer Brenda Hoster, told her story to a newspaper last February. She said he made an unsolicited sexual advance while they were on an official trip to Hawaii.

Hoster, who left the Army, reported the incident after learning that McKinney had been named to a panel investigating sexual harassment.

If convicted on all counts, McKinney could be sentenced to 5 1/2 years in prison and lose his military pension and benefits.

But under military law, jurors need not impose any penalty.

McKinney was reassigned to the lower post of command sergeant ma-

ior when the court-martial trial was ordered last year.

As sergeant major, the 29-year veteran had been responsible for advising the Army chief of staff on matters relating to 432,000 enlisted personnel.

Even before the jury began its deliberations, the McKinney case had become the focal point for how the Army deals with the integration of female soldiers.

The Army was determined not to follow in the missteps of the Navy, which failed to swiftly punish sexual misconduct at the 1991 Tailhook aviators' convention.

On both sides of the military's gender wars, it is commonly believed that the Army has tried to do the right thing in the McKinney case.

"There was a thorough investigation, an exhaustive (pre-trial) hearing and now the court-martial itself," said Lory Manning, who heads the military project at the Women's Research and Education Institute. "The Army took this seriously."

Elaine Donnelly, who heads the conservative Center for Military Readiness, agreed. "The system did work."

USA TODAY
WEDNESDAY, MARCH 11, 1998

WRWisc.

Fax to Bruce Reed from Melissa

Bruce - This isn't very catchy yet, but it's the guts of what I'm hoping to get reporters to write today.

Welfare Implementation - Monday talking points

Beginning October 1, we begin a second phase in reforming welfare. States are beginning to submit their new state plans, and today we approve the first two, for Wisconsin and Michigan. But in 43 states, their efforts will build on the reforms they've already started under waivers. And states have until July 1 to submit their state plans. We don't expect the beginning of the new fiscal year to bring sudden change - rather, we expect a gradual transformation and a greater focus on work and responsibility.

Tomorrow, we will also release the first allotments of child care funds to the states. We fought hard for the increased funding, because we know that child care is essential to achieving the true goal of welfare reform: helping single mothers move from welfare to work. Under the child care provisions of the welfare bill we fought for, states' funding in the new child care block grant will increase from \$1.3 to \$1.9 billion.

(Possible Addition If /When Wisconsin letter goes from HCFA: We are also proud that we have been able to preserve the Medicaid guarantee for women and children on welfare, and families who leave welfare for work, because we know the lack of health insurance can keep people trapped on welfare.)

And, as the President said on Saturday, we're already moving ahead on the child support provisions in the bill. On the new hire provision, for example, we already have 17 states linked up, and have found 60,000 deadbeat parents. 43 states already have license revocation programs in place. 20 states have linked child support enforcement sites on the Internet. Since 1992, collections have increased almost 50 percent, and paternities established have increased 55 percent. We intend to keep moving forward aggressively on this issue, because we believe both parents should be required to support their children. If everyone paid the child support that is owed, 800,000 women and children would be moved off of welfare.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



WP-Wisc

F A X C O V E R S H E E T

DATE:

TO: *Bruce Reed*

555 7

PHONE:

Jeremy Bon Ann

FAX:

Diana Fortman

Emily Brunkley

FROM: John Monahan
Director

PHONE: (202) 690-6060

FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet:

Message:

*Here are the final
Michigan + Wisconsin letters*



The Administrator
Washington, D.C. 20201

Mr. Joe Leraan
Secretary
Department of Health and Family Services
One West Wilson Street, Room 650
P.O. Box 7850
Madison, Wisconsin 53707-7850

Dear Mr. Leraan:

I am writing to provide an update on the status of your Wisconsin Works (W-2) waiver requests relating to Medicaid. As you know from correspondence from the Administration for Children and Families, Wisconsin will be able to pursue virtually all of its welfare reform waivers under the new flexibility guaranteed to states to design their own welfare reform programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to this Administration's clear commitment to maintain an enforceable federal guarantee of health care for low-income persons. Our position is consistent with the new welfare law which ensures the continuation of the Medicaid guarantee for current eligible populations. In addition, it will require further consultation between the Administration and the state to determine whether the demonstration would meet the standard of budget neutrality.

I wish to be clear that the Administration shares Wisconsin's desire to expand coverage for low-income, uninsured persons, especially those who are leaving welfare for work. As we have done with 13 other states, we would be pleased to work with you to design a Medicaid demonstration that expands coverage to those families working under W-2, consistent with the Administration's policy to maintaining the guarantee for eligible families and assuring budget neutrality for federal taxpayers. Your staff should call Lu Zawistowich at (410) 786-6650 to initiate further discussion.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bruce C. Vladeck".

Bruce C. Vladeck
Administrator



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

Office of Managed Care

SEP 30 1996

Peggy L. Bartels
Director
Bureau of Health Care Financing
Department of Health and Social Services
State of Wisconsin
1 West Wilson Street
P.O. Box 309
Madison, Wisconsin 53701-0309

Waiver No.: WI01.R08

Dear Ms. Bartels:

The Health Care Financing Administration (HCFA) hereby grants approval to the State of Wisconsin to renew and expand its Medicaid HMO program. Relying upon the statutory authority of sections 1915(b)(1), (2), (3) and (4) of the Social Security Act (the Act), the waiver program is renewed effective October 1, 1996 through September 30, 1998. Sections of the Act waived for this program include 1902(a)(10)(B) (comparability of services) and 1902(a)(23) (beneficiary freedom of choice).

My decision is based on evidence submitted by the State documenting that the waiver program continues to be consistent with the purposes of the Medicaid program and continues to meet all statutory and regulatory requirements. It appears that access to quality, cost-effective, services by AFDC, AFDC-related, and Healthy Start beneficiaries will be equal, if not better, under the waiver program than under the prior fee-for-service system.

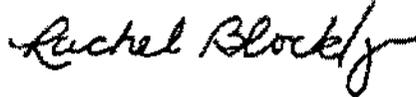
Please note that this waiver's renewal is contingent upon HCFA's receipt and approval of clarifying template information on the State's cost-effectiveness submission. We expect from discussions held with the State that the information to be included in these templates will demonstrate the program's cost-effectiveness, but we must receive the information in written format. As discussed on September 24 between Parashar Patel of the Office of Management and Budget (OMB) and Angelo Castillo of your office, all parties agree that HCFA's and OMB's receipt of this material by October 31, 1996, should give your staff ample time to finish work on the templates.

Because this waiver program has been run effectively for at least two waiver periods, Wisconsin is not required to arrange for an independent evaluation of the waiver as part of any subsequent renewal applications. The State will continue to be required, however, to conduct its own assessment of the waiver program's quality, access, and cost-effectiveness for the purposes of any future renewal request. Because of the age of the fee-for-service data upon which cost-effectiveness calculations have been based, the State will be required to work with HCFA and OMB in advance of the next renewal submission in order to develop valid estimates. HCFA and

OMB are currently working on guideline material which will assist States with eroding fee-for-service markets in assessing the cost-effectiveness of their waiver programs.

I wish Wisconsin continued success as it now expands the HMO program to new regions across the State. Should you require additional assistance from HCFA, please contact Lucille Rinaldo in HCFA's Chicago Regional Office. Ms. Rinaldo may be reached at 312-353-9842.

Sincerely,



Rachel Block
Director
Medicaid Managed Care Team

cc: David DuPre, Associate Regional Administrator, HCFA Region V



DEPARTMENT OF HEALTH & HUMAN SERVICES

Administration for Children and Families
Chicago Regional Office

Refer To: KD5C3

September 30, 1996

Richard C. Wagner, Acting Secretary
Department of Workforce Development
201 East Washington Avenue
P. O. Box 7946
Madison, Wisconsin 53707-7946

Dear Mr. Wagner:

I am pleased to inform you that, as of September 30, 1996, Wisconsin qualifies as an "eligible State" for purposes of receiving block grant funding under the Temporary Assistance for Needy Families (TANF) program authorized by the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). I congratulate you on your early and continued commitment to welfare reform that is about work, responsibility, and protecting children.

Within the Department's statutory authority regarding TANF, the Secretary's delegate has found that Wisconsin submitted a plan that includes the necessary elements listed in section 402 of the Social Security Act, as amended. By this finding, the Secretary's delegate neither approves nor disapproves the policies and practices outlined in the plan. Since Wisconsin is now an eligible State, the Secretary's delegate is authorizing funding for FY 1996, computed from the date of receipt of your plan, in the amount of \$34,774,689 and funding for FY 1997 in the amount of \$318,188,410. As soon as expenditure estimates are available for the Aid to Families with Dependent Children, Emergency Assistance, and Job Opportunities and Basic Skills Training programs for the period between August 22, 1996 and September 29, 1996, we will offset these from your TANF funding for FY 1996. In addition to triggering funding, Wisconsin's becoming an eligible state means that Wisconsin will come under all the requirements of TANF, including the participation and work requirements and the five-year lifetime limit on welfare receipt, effective September 30, 1996.

Because the AFDC policies proposed by the state of Wisconsin under its waiver application are incorporated into the state's TANF plan, Wisconsin no longer needs the waiver to implement its proposed reforms. Therefore, the Department now considers the AFDC portion of your waiver application moot. The Health Care Financing Administration will be communicating with you by separate letter about the Medicaid portion of your waiver application.

2

As we reviewed your plan, issues within this Department's purview arose. We bring the key concerns to your attention. This is not intended to be a comprehensive list of issues, and it does not necessarily reflect issues that may relate to the jurisdiction of other federal and state agencies. First, Wisconsin proposes in this plan to require families to reside in Wisconsin for 60 days before they become eligible for benefits and services. This policy raises *Shapiro v. Thompson*, 394 U.S. 618 (1969), constitutional questions and statutory concerns arising out of a possible conflict between the proposed policy and section 404(c) of the Social Security Act, as amended.

Second, Wisconsin states that it plans to include in its definition of "income" for determining TANF eligibility the benefits received from a specified list of federal programs. We note that the statutes authorizing some of those programs do not allow the benefits to be counted in determining eligibility for a means-tested program and suggest that you review the authorizing statutes.

I look forward to providing any additional assistance or information that would be useful to you or your staff. If you have any questions, please contact Kay Willmoth, Assistant Regional Administrator for Self-Sufficiency Programs, at 312/353-4439.

Sincerely,



Marion N. Steffy
Regional Administrator



DEPARTMENT OF HEALTH & HUMAN SERVICES

Administration for Children and Families
Chicago Regional Office

Refer To: KD5C3

September 30, 1996

Gerald H. Miller, Director
Michigan Family Independence Agency
P.O. Box 30037
235 South Grand Avenue
Lansing, Michigan 48909

Dear Mr. Miller:

I am pleased to inform you that, as of September 30, 1996, Michigan qualifies as an "eligible State" for purposes of receiving block grant funding under the Temporary Assistance for Needy Families (TANF) program authorized by the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). I congratulate you on your early and continued commitment to welfare reform that is about work, responsibility, and protecting children.

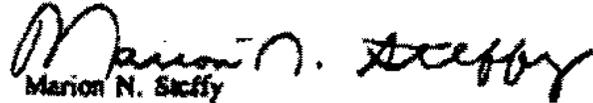
Within the Department's statutory authority regarding the TANF program, the Secretary has found that Michigan submitted a plan that includes the necessary elements listed in section 402 of the Social Security Act, as amended. By this finding, the Secretary neither approves nor disapproves the policies and practices outlined in the plan. Since Michigan is now an eligible State, the Secretary is authorizing funding for FY 1996, computed from the date of receipt of your plan, in the amount of \$76,264,215 and funding for FY 1997 in the amount of \$775,352,858. As soon as expenditure estimates are available for the Aid to Families with Dependent Children, Emergency Assistance, and Job Opportunities and Basic Skills Training programs for the period between August 26, 1996 and September 29, 1996, we will offset these from your TANF funding for FY 1996. In addition to triggering funding, Michigan's becoming an eligible state means that Michigan will come under all the requirements of TANF, including the participation and work requirements and the five-year lifetime limit on welfare receipt, effective September 30, 1996.

Because the AFDC policies proposed by the state of Michigan under its waiver application are incorporated into the state's TANF plan, Michigan no longer needs the waiver to implement its proposed reforms. Therefore, the Department now considers the AFDC portion of your waiver application moot. It is our understanding that the Health Care Financing Administration is in continuing discussions with you about the Medicaid portion of your waiver application.

As we reviewed your plan, certain issues within this Department's purview arose. (We do not address issues that may relate to the jurisdiction of other federal and state agencies.) In particular, it is not clear from the plan submission what policy the State intends to implement regarding notice of adverse actions. The waiver request submitted in June 1996 to the Department and incorporated into the TANF plan submission notes that the State intends to immediately impose any negative actions. As we understand it, benefits would be restored to the previous level if an administrative hearing is requested within 10 days. We believe such a policy may implicate principles of procedural due process. In this respect, and as with others, you should ensure that the plan conforms to all applicable constitutional requirements.

I look forward to providing any additional assistance or information that would be useful to you or your staff. If you have any questions, please contact Kay Willmoth, Assistant Regional Administrator for Self-Sufficiency Programs, at 312/353-4439.

Sincerely,


 Marion N. Sicffy
 Regional Administrator

To: Melissa Skolfield@ASPA
From: Michael Kharfen@OPA@ACF.WDC
Cc: Amy Busch@ASPA, Sarah Gegenheimer@ASPA, Campbell Gardett@ASPA,
SSWGATE@B11WDC-OV06B@SERVERS (HCFASMTF.PGARRETT)
Bcc:
Subject: Milwaukee Journal Wisconsin story
Attachment: wiscmjs.101
Date: 10/1/96 2:33 PM

WR-Wisc

U.S. gives welfare plan the go-ahead
By Joel Dresang
of the Journal Sentinel staff
October 1, 1996

The Clinton administration Monday gave Wisconsin's welfare plan the green light, starting the eligibility clock ticking for welfare recipients, who now have a lifetime limit totaling five years of benefits.

Under the new federal block grant program that begins today, federal financing for Wisconsin's welfare system will increase by 17%.

"I am especially pleased by this action," Clinton said in a statement, "because as I have said before, Wisconsin's plan to replace the broken AFDC system with a system based on work is one of the boldest, most revolutionary welfare reform plans in the country."

However, the administration expressed disapproval -- but did not deny or approve -- Gov. Tommy Thompson's request for greater flexibility in Medicaid spending under the Wisconsin Works plan, or W-2, which is scheduled to begin next September.

"It means we want to keep working with them on that," said Michael Kharfen, a spokesman for the U.S. Department of Health and Human Services.

Today is the start of the federal spending year, and it is the first day states are eligible for welfare funds bundled in block grants, which allow the states to spend the money pretty much as they please.

Because Wisconsin was the first state to submit a plan for replacing the 61-year-old federal Aid to Families with Dependent Children program, it is one of the first states to have its welfare plan certified by the Clinton administration for financing. Michigan also received the go-ahead Monday.

Under the block grant program, Wisconsin is due to receive \$318 million for the next year, up 17% from \$272 million the year before. The state also is receiving nearly \$35 million in financing for the time since Wisconsin submitted its plan on Aug. 22.

Also, starting today, Wisconsin will receive nearly \$38.4 million in federal child-care money, up 9% from \$35.2 million the previous year, Health

and Human Services Secretary Donna Shalala announced.

In notifying Richard Wegner, acting secretary of the state Department of Workforce Development, of the financing approval, Marion Steffy, Chicago regional administrator for the Administration for Children and Families, noted that some elements of W-2 might warrant further review. Specifically mentioned were W-2's:

Requirement that participants be Wisconsin residents for at least 60 days.

Counting of benefits from a number of federal programs as part of the income considered in determining eligibility.

The Clinton and Thompson administrations continue to discuss Wisconsin's requests for waivers not allowed in the new federal law. Chief among them is the Medicaid request, which Thompson has said is important to W-2.

W-2 would end the entitlement to Medicaid and use that money -- up to \$500 million a year -- to extend health care coverage to more working poor families currently not eligible for Medicaid under AFDC.

In a letter to state Department of Health and Family Services Secretary Joe Lekan, Bruce Vladeck, administrator of the Health Care Financing Administration, said that although his agency shared the state's desire to expand Medicaid coverage, it couldn't approve Wisconsin's Medicaid proposal because it eliminated guaranteed health care for low-income people.

Under the new federal law, states are required to continue providing Medicaid coverage to families eligible for AFDC, even though AFDC no longer will exist.

Some analysts contend that W-2 would spend part of the Medicaid funds for non-medical programs, such as child care, wage subsidies and job counseling. But Jean Rogers, administrator of the Wisconsin Division of Economic Support, has denied such assertions, insisting that the state would spend Medicaid money only on health care under W-2.

Rogers said she had not yet seen the Clinton administration's notices on welfare plans. She added that her office had not yet begun negotiations on W-2's health care provisions.

"As long as they leave the door open," Rogers said, "that's good."

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WR-Wisc.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



FAX COVER SHEET

DATE:

TO: Bruce Reed
Jeremy Ben Ari
Diana Farkas
Emily Bronberg

PHONE:
FAX: 48-7628
-7431
-5557
-2889

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:
CC:

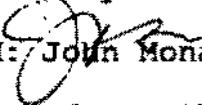
Number of pages including cover sheet: 10

Message:

PLEASE DELIVER ASAP

TIME-SENSITIVE

TO: Bruce Reed
Jeremy Ben Ami
Diana Fortuna
Emily Bromberg

FROM:  John Monahan

Attached are the following items:

1. Final draft letter approving Wisconsin's TANF plan
2. Final draft letter denying Wisconsin's Medicaid waiver
3. Final draft letter approving Wisconsin's 1915b Medicaid waiver
4. Final draft letter approving Michigan's TANF plan
5. Draft talking points for Administration officials regarding the treatment of waivers pursuant to the "inconsistency" provision of PRWORA.

With regard to the Michigan and Wisconsin letters, our intention is to release them at 2 p.m. on Monday afternoon and to alert appropriate Congressional, state, and local officials in those states of our impending approvals commencing at 10 am on Monday morning. We will not release paper to anyone until 2 p.m.

Revised 4:00

9/27

Wisconsin Draft: 9/27/96-3

Richard Wegner, Secretary
Department of Workforce Development
Michigan

Dear Mr. Wegner:

I am pleased to inform you that, as of September 30, 1996, Wisconsin qualifies as an "eligible State" for purposes of receiving block grant funding under the Temporary Assistance for Needy Families (TANF) program authorized by the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). I congratulate you on your early and continued commitment to welfare reform that is about work, responsibility, and protecting children.

Within the Department's statutory authority regarding TANF, the Secretary's delegate has found that Wisconsin submitted a plan that includes the necessary elements listed in section 402 of the Social Security Act, as amended. By this finding, the Secretary's delegate neither approves nor disapproves the policies and practices outlined in the plan. Since Wisconsin is now an eligible State, the Secretary's delegate is authorizing funding for FY 1996, computed from the date of receipt of your plan, in the amount of \$33,905,302 and funding for FY 1997 in the amount of \$318,188,410. In addition to triggering funding, Wisconsin's becoming an eligible state means that Wisconsin will come under all the requirements of TANF, including the participation and work requirements and the five-year lifetime limit on welfare receipt, effective September 30, 1996. Also as of that date, Wisconsin's participation in the Aid to Families with Dependent Children, Emergency Assistance, and Job Opportunities and Basic Skills training programs will terminate.

Because the AFDC policies proposed by the state of Wisconsin under its waiver application are incorporated into the state's TANF plan, Wisconsin no longer needs the waiver to implement its proposed reforms. Therefore, the Department now considers the AFDC portion of your waiver application moot. The Health Care Financing Administration will be communicating with you by separate letter about the Medicaid portion of your waiver application.

As we reviewed your plan, issues within this Department's purview arose. We bring the key concerns to your attention. This is not intended to be a comprehensive list of issues, and it does not necessarily reflect issues that may relate to the jurisdiction of other federal and state agencies. First, Wisconsin proposes in this plan to require families to reside in Wisconsin for 60 days before they become eligible for benefits and services. This policy raises Shapiro v. Thompson, 394 U.S.

618 (1969), constitutional questions and statutory concerns arising out of a possible conflict between the proposed policy and section 404(c) of the Social Security Act, as amended.

Second, Wisconsin states that it plans to include in its definition of "income" for determining TANF eligibility the benefits received from a specified list of federal programs. We note that the statutes authorizing some of those programs do not allow the benefits to be counted in determining eligibility for a means-tested program and suggest that you review the authorizing statutes.

The Wisconsin State plan will remain in effect for the two-year period from August 22, 1996 through August 21, 1998. The State may amend its plan at any time, provided the plan remains complete under the terms of section 402. In accordance with section 402(b) of the amended Social Security Act, the State shall make available to the public a summary of its State plan.

I look forward to providing any additional assistance or information that would be useful to you or your staff. If you have any questions, please contact Kay Willmoth, Assistant Regional Administrator for Self-Sufficiency Programs, at 312/353-4439.

Sincerely,

Marion N. Steffy
Regional Administrator

Human Services Secretary

~~Tommy G. Thompson~~
Governor

~~1 State Capitol Building~~
Madison, Wisconsin 53701

Dear Governor Thompson:

I am writing to provide an update on the status of your Wisconsin Works (W-2) waiver requests relating to Medicaid. As you know from correspondence from the Administration for Children and Families, Wisconsin will be able to pursue virtually all of its welfare reform waivers under the new flexibility guaranteed to states to design their own welfare reform programs under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to this Administration's clear commitment to maintain an enforceable federal guarantee of health care for low-income persons. Our position is consistent with the new welfare law which ensures the continuation of the Medicaid guarantee for current eligible populations. In addition, the passage of the new legislation will complicate the demonstration of budget neutrality, which is required for all demonstrations, and we will need time to measure the impact of the new law on W-2.

I wish to be clear that the Administration shares Wisconsin's desire to expand coverage for low-income, uninsured persons, especially those who are leaving welfare for work. As we have done with 13 other states, we would be pleased to work with you to design a Medicaid demonstration that expands coverage to those families working under W-2, consistent with the Administration's policy to maintaining the guarantee for eligible families and assuring budget neutrality for federal taxpayers. Your staff should call Lu Zawistowich at (410) 786-6650 to initiate further discussion.

Sincerely,

Bruce C. Vladeck
Administrator

4:00 9/27

Peggy L. Bartels
Director
Bureau of Health Care Financing
Department of Health and Social Services
State of Wisconsin
1 West Wilson Street
P.O. Box 309
Madison, Wisconsin 53701-0309

Waiver No.: WI01.R08

Dear Ms. Bartels:

The Health Care Financing Administration (HCFA) hereby grants approval to the State of Wisconsin to renew and expand its Medicaid HMO program. Relying upon the statutory authority of sections 1915(b)(1), (2), (3) and (4) of the Social Security Act (the Act), the waiver program is renewed effective July 1, 1996 through June 30, 1998. Sections of the Act waived for this program include 1902(a)(10)(B) (comparability of services) and 1902(a)(23) (beneficiary freedom of choice).

My decision is based on evidence submitted by the State documenting that the waiver program continues to be consistent with the purposes of the Medicaid program and continues to meet all statutory and regulatory requirements. It appears that access to quality, cost-effective, services by AFDC, AFDC-related, and Healthy Start beneficiaries will be equal, if not better, under the waiver program than under the prior fee-for-service system.

Please note that this waiver's renewal is contingent upon HCFA's receipt and approval of clarifying template information on the State's cost-effectiveness submission. As discussed on September 24 between Parashar Patel of OMB and Angelo Castillo of your office, all parties agree that HCFA and OMB's receipt of this material by October 31, 1996, should give your staff ample time to finish work on the templates.

Because this waiver program has been run effectively for at least two waiver periods, Wisconsin is not required to arrange for an independent evaluation of the waiver as part of any subsequent renewal applications. The State will continue to be required, however, to conduct its own assessment of the waiver program's quality, access, and

cost-effectiveness for the purposes of any future renewal request. Because of the age of the fee-for-service data upon which cost-effectiveness calculations have been based, the State will be required to work with HCFA and the Office of Management and Budget (OMB) in advance of the next renewal submission in order to develop valid estimates. HCFA and OMB are currently working on guideline material which will assist States with eroding fee-for-service markets in assessing the cost-effectiveness of their waiver programs.

I wish Wisconsin continued success as it now expands the HMO program to new regions across the State. Should you require additional assistance from HCFA, please contact Lucille Rinaldo in HCFA's Chicago Regional Office. Ms. Rinaldo may be reached at 312-353-9842.

Sincerely,

Rachel Block
Director
Medicaid Managed Care Team

cc: Associate Regional Administrator, Medicaid, Region V

Michigan Draft: 9/27/96-4

Gerald H. Miller, Director
Michigan Family Independence Agency
P.O. Box 30037
235 South Grand Avenue
Lansing, Michigan 48909

Dear Mr. Miller:

I am pleased to inform you that, as of September 30, 1996, Michigan qualifies as an "eligible State" for purposes of receiving block grant funding under the Temporary Assistance for Needy Families (TANF) program authorized by the Social Security Act, as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). I congratulate you on your early and continued commitment to welfare reform that is about work, responsibility, and protecting children.

Within the Department's statutory authority regarding the TANF program, the Secretary has found that Michigan submitted a plan that includes the necessary elements listed in section 402 of the Social Security Act, as amended. By this finding, the Secretary neither approves nor disapproves the policies and practices outlined in the plan. Since Michigan is now an eligible State, the Secretary is authorizing funding for FY 1996, computed from the date of receipt of your plan, in the amount of \$74,145,765 and funding for FY 1997 in the amount of \$775,352,858. In addition to triggering funding, Michigan's becoming an eligible state means that Michigan will come under all the requirements of TANF, including the participation and work requirements and the five-year lifetime limit on welfare receipt, effective September 30, 1996. Also as of that date, Michigan's participation in the Aid to Families with Dependent Children, Emergency Assistance, and Job Opportunities and Basic Skills training programs will terminate.

Because the AFDC policies proposed by the state of Michigan under its waiver application are incorporated into the state's TANF plan, Michigan no longer needs the waiver to implement its proposed reforms. Therefore, the Department now considers the AFDC portion of your waiver application moot. It is our understanding that the Health Care Financing Administration is in continuing discussions with you about the Medicaid portion of your waiver application.

As we reviewed your plan, issues within this Department's purview arose. We bring a key concern to your attention. This is not intended to be a comprehensive list of issues, and it does not necessarily reflect issues that may relate to the jurisdiction of other federal and state agencies. First, it is not clear from the plan submission what policy the State intends

to implement regarding notice of adverse actions. The waiver request submitted in June 1996, to the Department and incorporated into the TANF plan submission notes that the State intends to immediately impose any negative actions. Benefits would be restored to the previous level if an administrative hearing is requested within 10 days. We believe such a policy may implicate Goldberg v. Kelly, 397 U.S. 254 (1970).

The Michigan State plan will remain in effect for the two-year period from August 26, 1996 through August 25, 1998. The State may amend its plan at any time, provided the plan remains complete under the terms of section 402. In accordance with section 402(b) of the Social Security Act, as amended, the State shall make available to the public a summary of its State plan.

I look forward to providing any additional assistance or information that would be useful to you or your staff. If you have any questions, please contact Kay Willmoth, Assistant Regional Administrator for Self-Sufficiency Programs, at 312/353-4439.

Sincerely,

Marion N. Steffy
Regional Administrator

DRAFT

Draft Talking Points

State Welfare Waivers and the New Welfare Reform Legislation

- o We are moving ahead rapidly with the Congress and our state partners to implement the new welfare reform legislation and achieve our goals of moving families from welfare to work, promoting parental responsibility, and protecting children.
- o The new legislation provides states with broad new flexibility to design their own programs. It allows them to decide how they can best move families to work -- while containing clear requirements that they must move families from welfare to work.
- o We are working with the Congress to clarify statutory provisions which allow states to continue existing waivers that are "inconsistent" with the new statute. Because there is some ambiguity in the statutory language, the Administration and the Congress have agreed to a process under which states will include in their state plans a list of any waiver provisions that they believe are "inconsistent" with the statute and that they would like to continue. ①
- o This approach will allow the Administration, the Congress, and the states to make thoughtful decisions about how to interpret the ambiguous language, based on real examples of the policies that states would like to put in place.
- o We do not expect states to use this provision to gut the commitments to work requirements and time limits that are at the core of this legislation. We believe that these commitments are central to true welfare reform and will work with Congress to ensure their integrity.

W. R. ...

URGENT
FAX ASAP TO BRUCE REED FROM MELISSA

Bruce --

Minor edits on this statement -

they're now getting funding for parts of FY 96 (just 45 days) and all of FY 97.

"participation rates" sounds too bureaucratic to mean anything, and would probably be disputed by Tommy Thompson, so I'd delete it and keep the cleaner, tougher sounding "work requirements"

still a little too much credit for Republican governors at the expense of Democrats. Can we insert that they're adopting a strategy that "all Americans agree on?"

the word "state" in the third paragraph is confusing - it's federal funds for states

Hope you can read the attached. We're still waiting for OMB ok.

Melissa

~~_____~~
~~_____~~
~~_____~~

W.H.H.W.
Far to Melissa
DRAFT

STATEMENT OF THE PRESIDENT
September 30, 1996

Today, I am pleased to announce two important steps my Administration is taking to continue our progress in carrying out the new welfare reform law.

part of as well as

First, today we have given the green light to the first two states to submit their state plans under the new law -- Wisconsin and Michigan. Both states will receive funding under the new welfare block grant for FY1996 and FY1997, and will now come under all the requirements of the new welfare law, including the participation and work requirements and the five-year lifetime limit on welfare receipt. Both states no longer need an AFDC waiver to carry out their welfare reform plans.

I am especially pleased by this action, because as I have said before, Wisconsin's plan to replace the broken AFDC system with a system based on work is one of the boldest, most revolutionary welfare reform plans in the country. I am delighted to see it move forward. Michigan is also embarking on an innovative plan to reward and require work and demand responsibility. I congratulate both states for recognizing that welfare reform is first and foremost about work.

what all Americans agree on:

Second, tomorrow we will release the first allotment of child care funds to the states. I fought hard for the increased child care funding in the new law, because I believe that child care is essential to move people from welfare to work. Under the provisions we fought for, state funding in the new child care block grant will increase this year from \$1.3 billion to \$1.9 billion. That means states will receive an additional \$600 million for child care than they would have received without the new law.

for states more

These steps build on the progress we have already made over the last four years to reform welfare and crack down on child support enforcement. The welfare rolls have dropped 1.9 million since January 1993, child support collections have increased by nearly 50% to a record \$11.8 billion, and last year's decline in the number of Americans in poverty was the largest drop in 27 years. We are determined to keep working to make sure these trends continue moving in the right direction.

end

WR-Wisc

STATEMENT OF THE PRESIDENT
September 30, 1996

Today, I am pleased to announce two important steps my Administration is taking to continue our progress in carrying out the new welfare reform law.

First, today we have given the green light to the first two states to submit their state plans under the new law -- Wisconsin and Michigan. Both states will receive funding under the new welfare block grant for FY1997 as well as part of FY1996, and will now come under all the requirements of the new welfare law, including the work requirements and the five-year lifetime limit on welfare receipt. Both states no longer need an AFDC waiver to carry out their welfare reform plans.

I am especially pleased by this action, because as I have said before, Wisconsin's plan to replace the broken AFDC system with a system based on work is one of the boldest, most revolutionary welfare reform plans in the country. I am delighted to see it move forward. Michigan is also embarking on an innovative plan to reward and require work and demand responsibility. I congratulate both states for recognizing what all Americans agree on: welfare reform is first and foremost about work.

Second, tomorrow we will release the first allotment of child care funds to the states. I fought hard for the increased child care funding in the new law, because I believe that child care is essential to move people from welfare to work. Under the provisions we fought for, funding in the new child care block grant for states will increase this year from \$1.3 billion to \$1.9 billion. That means states will receive \$600 million more for child care this year than they would have received without the new law.

These steps build on the progress we have already made over the last four years to reform welfare and crack down on child support enforcement. The welfare rolls have dropped by 1.9 million since January 1993; child support collections have increased by nearly 50% to a record \$11.8 billion; and last year's decline in the number of Americans in poverty was the largest one-year drop in 27 years. We are determined to keep working to make sure these trends continue moving in the right direction.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



WJ-Wisc

F A X C O V E R S H E E T

DATE: *4/16/96*

TO: *Bruce Reed*

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:
CC:

Number of pages including cover sheet: *7*

Message:

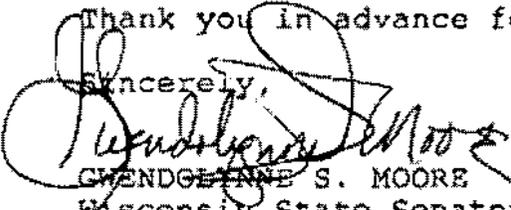
the age of one. Governor Thompson, as chair of the National Governors' Association, negotiated a plan to permit states to limit the required work hours for welfare recipients to 20 hours a week for parents with children under the age of six.);

- Flat grants that circumvent the minimum wage;
- Placing community service job workers, jobs paying less than the minimum wage, in for-profit industries;
- Required health care copayments on limited grants that could leave a family without health care;

For your information, I am enclosing a memorandum from our nonpartisan Legislative Fiscal Bureau on the 43 potential federal waivers needed to implement W-2 and their March 4, 1996 summary of the W-2 bill. If you have any questions or need additional information please feel free to contact my office at (608) 266-5810.

Thank you in advance for your help in this matter.

Sincerely,



WENDOLYNNE S. MOORE
Wisconsin State Senator
4th Senate District

Enclosures

cc: The Honorable William J. Clinton
The Honorable Donna E. Shalala
Senator Herbert Kohl
Senator Russell Feingold
Marian Wright Edelman



Legislative Fiscal Bureau

One East Main, Suite 301 - Madison, WI 53703 - (608) 266-3847 - Fax: (608) 267-6873

March 8, 1996

TO: Senator Gwendolynne Moore
Room 321 Northeast, State Capitol

FROM: Pris Boroniec and Dave Loppnow

SUBJECT: Wisconsin Works Proposal: Federal Waivers and Funding

At your request, we are providing information regarding the federal waivers and law changes that potentially would be needed for the state to implement the Wisconsin Works (W-2) proposal in ASA 3 to AB 591. ASA 3 is the version of the W-2 legislation that was adopted by the Joint Committee on Finance.

The W-2 proposal would replace the state's current aid to families with dependent children (AFDC) and job opportunities and basic skills (JOBS) programs and the current medical assistance (MA) program for AFDC recipients. In addition, the current child care programs for AFDC recipients and low-income families who are not receiving AFDC would be restructured, consolidated and expanded.

Federal Law Changes and Waivers

The W-2 proposal is structured based on the assumption that federal block grant legislation will be adopted to replace the current federal requirements for public assistance programs. However, if appropriate block grant legislation is not enacted at the federal level, the substitute amendment would require the Department of Health and Social Services (or the Department of Industry, Labor and Job Development after July 1, 1996) to request a federal waiver or seek the passage of federal legislation to implement W-2 in place of the current programs.

The attached document, which was prepared by staff at H&SS, identifies federal law changes and waivers that would potentially be needed to implement W-2 in the absence of federal block grants. On page 2 of the attached document, four types of changes are identified that would be needed to the current programs in order to implement W-2.

The two categories in the left-hand column show areas where the state would simply need to modify current policies (one item) or state plans under the existing programs (14 items). The top, right-hand section shows areas where federal law would need to be changed (ten items); these provisions would not be subject to a federal waiver. The fourth category, in the lower, right-hand part of the document, identifies provisions that could potentially be addressed through a waiver (43 items).

Federal Revenues

Under current law, public assistance programs are generally funded with federal and state funds under a matching arrangement. For example, AFDC and MA benefits are funded with approximately 60% federal revenue and 40% state GPR. Administrative costs for these programs are generally funded with 50% federal revenue and 50% GPR.

The fiscal note prepared by H&SS for the W-2 program, instead, assumes that federal block grants would be provided for these public assistance programs, effective October 1, 1995. Based on the block grant legislation that was being considered by Congress at the time the fiscal note was prepared last fall, it was estimated that ongoing federal revenues for the W-2 program would be \$653 annually, beginning in 1997-98. This amount excludes \$7 million annually for the food stamp employment and training program.

If block grants are not approved at the federal level, and waivers were granted for W-2 with the current federal matching rates for similar programs under present law, it is estimated that federal revenues for W-2 could be \$613 million in 1997-98 and \$600 million in 1998-99. When combined with the assumed GPR funding under the W-2 proposal, available revenues would be less than projected spending by approximately \$50 million in 1997-98 and by approximately \$45 million in 1998-99.

We hope this information responds to your request. Please contact us if you have additional questions.

DL/PB/sas
Attachment

Wisconsin Works (W-2) and the Waiver Process
March 5, 1996

- ▶ In the absence of block grants, Wisconsin will need to seek waivers of federal regulations to implement W-2.
- ▶ The Department intends to submit a waiver application to the federal government that fully represents the W-2 program as enacted.
- ▶ Wisconsin's expected success in obtaining waiver approval for W-2 is based on:
 - 1) the ability to justify that there is federal authority to waive a particular regulation;
 - 2) clear explanation of program rationale and intent;
 - 3) precedent set by Wisconsin and other states in obtaining waiver approval; and most important,
 - 3) skillful negotiation of terms and conditions.
- ▶ Wisconsin has been successful in obtaining federal approval on all 15 of its comprehensive welfare reform projects for which it has applied. Because of this high level of expertise, Wisconsin has provided consultation to many states on how to write waiver applications and skillfully negotiate and obtain waiver approval.
- ▶ It is not possible to predict with full certainty which laws will be waived until the negotiation process is completed. For example, some persons were skeptical about whether AFDC time limits could be waived when Wisconsin negotiated terms and conditions for the Work Not Welfare program. Wisconsin was allowed to establish a 24-month time limit for Work Not Welfare eligibility. Many other states have since followed Wisconsin's precedent.
- ▶ The federal government has shown that it is amenable to approving necessary waivers to allow states to operate welfare reform projects. They have acknowledged that welfare reform projects at the state level have the ability to transform the AFDC program into one that provides maximum opportunities and incentives for families to achieve financial independence. The federal government further recognizes that welfare reform projects can guide the development of both national and state policy.
- ▶ In addition to federal waiver authorization, the Department will use additional strategies to facilitate implementation of W-2, including:
 - 1) changing current Department policy to more closely adhere to the requirements of W-2 where state law or rule change is not required;
 - 2) revising state plans to indicate new policies; and
 - 3) if necessary, pursuing changes in federal law.

SUMMARY OF ACTIONS NEEDED**POLICY CHANGE****ONLY****GENERAL**

Requiring W-2 agencies to establish Children's Services Network

LAW CHANGE MAY BE NEEDED**GENERAL**

- Feasibility in use of AFDC & MA Funds
- FS & MA Categorical Eligibility (AFDC Recipients)
- Eliminating Exclusions for Assets
- Performance Standards for W-2 Agencies
- Sanctions for Failing to Cooperate with Child Support

EMPLOYMENT POSITIONS

- Elimination of Certain Income Exemptions

HEALTH CARE

- Loss of W-2 Health Benefits When There is an Employer Health Plan Available
- Premiums for Health Care
- MA Income Eligibility Limits (Custodial Parents and Children)
- Program Waiver with Bare Children Must Cooperate with Child Support

PLAN CHANGE ONLY**GENERAL**

Asset Limits which are more generous than under current public assistance programs (Vehicles, Liquid Asset Limit) Kinship Care—provide kinship care benefits instead of AFDC when child is living with a relative other than a natural or adoptive parent

EMPLOYMENT POSITIONS

State provides Worker's Compensation

HEALTH CARE

Health Care Benefit Package
Elimination of AFDC-Related Backdating for MA

CHILD CARE

Require individual to cooperate with child support (establish paternity, medical support liability) as eligibility condition for child care

Child Care Co-Payment Requirements

Child Care Income Definition
Child Care Reimbursement Rates

Income Limits for Child Care
Child Care Regulation
Provide child care for those working or seeking work

JOBS PROGRAM

Limit participation in postsecondary education as an acceptable JOBS program activity
Make participation in Work Supplemental program mandatory

WAIVERS POTENTIALLY NEEDED**GENERAL**

- Minor Parents Required to Live at Home
- Fraud Penalties
- What income is counted in determining eligibility
- Expansion of Asset Limits (Vehicles, Liquid Asset Limit)
- Counting stepparent income as family income
- Job Access Loans
- Requiring attendance at school (Learners sanctions)
- Providing employment-related services to a non-Custodial Parent
- Community Steering Committee
- Requiring Wisconsin residence for 60 days before can be eligible
- Non-enrollment—W-2 Employment Position, Health Care, Child Care
- Who can administer W-2 program
- Dual Agency Administration for MA/FS
- Eliminating Exclusions for Assets
- Assistance Group Definition (Including AFDC-Unemployed Parent Criteria)
- Definitions—Such as AFDC, Dependent Child
- Monthly Reporting
- Fair hearing process
- Support for Children of SSI Parent
- Sanctions for Failing to Cooperate with Child Support

EMPLOYMENT POSITIONS

- No eligibility if refuse Bonafide Offer of Employment
- Time-Limited Participation in Employment Positions
- Trial JOBS
- Extensions of Time-Limited Participation in Employment Positions
- Income Limits for Employment Positions
- Placement-Related Services for Unsubsidized Employment

CSJs

- W-2 Transitions
- Employment Position Sanctions
- Applicant Job Search
- 1-Parent Participation in Subsidized Employment Position at Time
- Benefit Calculation

HEALTH CARE

- HMOs
- Maintenance of Effort MA
- Elimination of MA Extension

CHILD CARE

- Eligibility Age for Child Care
- Elimination of Transitional Child Care
- Child Care Co-Payment Requirements

CHILD SUPPORT

- Paying Child Support Directly
- No 150 Child Support Disregard
- Providing All Appropriate Child Support Services to W-2 Participants
- Automatic Continuation of Child Support Services when W-2 Eligibility Terminates

JOBS PROGRAM

- Caring for Child Under Age 1 Job Exemption

City of Milwaukee - Office of the Mayor

INTER-OFFICE MEMO

M-27

TO <i>Bruce Reed</i>	
FROM <i>David Riemer</i>	DATE <i>3-15-96</i>

PLEASE	REMARKS
<input type="checkbox"/> Comment	<i>FYI</i>
<input type="checkbox"/> Note	
<input type="checkbox"/> See Me	
<input type="checkbox"/> Investigate	
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<input type="checkbox"/> Approve	
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<input type="checkbox"/> Reply	
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WR - Wise

EXECUTIVE SUMMARY

Under 1993 Wisconsin Act 99, the state's basic aid to families with dependent children (AFDC) program will be repealed on January 1, 1999. No later than December 31, 1995, the Secretary of the Department of Health and Social Services (H&SS) is required to submit to the Legislature a proposal for welfare reform in Wisconsin. The proposal must provide for the replacement of the basic AFDC program by December 31, 1998.

ASA 3 to AB 591 is a modified version of Department's proposal for the replacement of AFDC in Wisconsin. The new program is referred to as Wisconsin Works (W-2). In order to implement W-2, the Department would have to obtain a waiver from the federal government or federal legislation would have to be adopted permitting the new provisions. The following sections highlight components of the W-2 program.

Purpose of the Program. The purpose of the W-2 program is to eliminate the cash and health care entitlements provided under the current AFDC and medical assistance programs and, instead, require recipients of public assistance to work in unsubsidized employment or in government-subsidized trial jobs and community service jobs. Individuals who are incapacitated could be assigned to transitional placements with more limited work requirements. The program would also establish time limits for the receipt of benefits.

Local Administration. During the initial years of implementation, the W-2 program would be administered locally by county departments of human/social services or tribes if the county or tribe has met caseload performance standards established by the Department of Industry, Labor and Job Development (DILJD) and the county or tribe does not elect to opt out of administering the program. Counties that elect to administer W-2 under this provision where there is a separate JOBS agency in that county would be required to offer a subcontract to the current JOBS agency to administer the W-2 employment program.

If a county elects not to administer W-2, the program would be administered by other public or private agencies under contract with DILJD on the basis of a competitive process. The initial contracts would have to be for a period of at least two years. After the initial contracts expire, DILJD would be authorized to contract with any person to administer W-2 in a geographical area determined by the Department, on the basis of a competitive process.

Nonentitlement. Notwithstanding fulfillment of the eligibility requirements for any component, an individual would not be entitled to services or benefits under Wisconsin Works.

Eligibility for Employment Positions. In order to be eligible for W-2 employment positions and job access loans for any month, an individual would have to meet a number of nonfinancial and financial eligibility requirements. The primary nonfinancial eligibility requirement is that the participant would have to be a custodial parent who has attained the age

of 18. However, in certain circumstances, noncustodial parents could participate in an employment position and receive other services. In addition, the individual would have to fully cooperate in efforts directed at establishing paternity of the dependent child and obtaining child support and could not be receiving SSI.

Financial eligibility requirements include a resource limitation and an income limitation. Under the resource limitation, the family's assets could not exceed \$2,500 in combined equity value, excluding the equity value of vehicles up to a total value of \$10,000 and one home that serves as the group's homestead. The income limitation would specify that the family's gross income could not exceed 115% of the federal poverty level (FPL).

W-2 Work Programs. Participants in Wisconsin Works would be assigned to one of four types of placements:

- Unsubsidized employment
- Trial jobs
- Community service jobs (CSJs)
- Transitional placements

Under W-2, a recipient's monthly cash benefit would depend upon the type of placement and the number of hours worked during the month. Unlike the current AFDC program, there would be no family-size adjustment.

Trial jobs would provide on-the-job training and work experience for participants who are unable to obtain unsubsidized employment. Participants in trial jobs would be paid an amount established in the contract between the W-2 agency and the employer, but not less than minimum wage, for each hour worked. A wage subsidy of up to \$300 per month would be paid to trial job employers by the W-2 agency.

Community service jobs would provide work experience and training to assist participants to move promptly into unsubsidized employment or a trial job and would be limited to projects that the Department determines would serve a useful public purpose, or to projects whose cost is partially or wholly offset by revenue generated by such projects. CSJ participants would receive a monthly grant of \$555. Custodial parents whose youngest child is less than 12 weeks old would receive a monthly grant of \$555 but would not be required to participate in a W-2 employment position.

Transitional placements would be available for persons who are incapacitated or otherwise unable to perform a community service job. Participants in transitional placements would receive a monthly grant of \$518.

Participants in CSJs would be required to work up to 30 hours per week and to engage in educational and training activities for an additional 10 hours per week. Transitional placements

would be required to work up to 28 hours per week and to engage in educational and training activities for 12 hours per week.

In addition to the employment benefits outlined above, W-2 participants would be eligible for food stamps, health care, child care, educational assistance and transportation assistance. Participants in unsubsidized employment and trial jobs would be eligible for the federal and state earned income tax credits (EITC). Although the federal tax treatment of benefits received by participants in CSJs and transitional placements would be determined by the federal Internal Revenue Service, it is not likely that these participants would be eligible for the EITC.

Time Limits. Participation in trial jobs, CSJs and transitional placements would generally be limited to 24 months each. However, extensions could be granted on a case-by-case basis. Overall participation in W-2 would be limited to five years. Active participation in the current JOBS program would count toward the five-year limit beginning on July 1, 1996, or the day after publication of the act, whichever is later. The five-year restriction could be waived in 12-month increments if unusual circumstances warrant an extension.

Employment Skills Advancement Program. The substitute amendment would create an employment skills advancement program which would provide up to \$500 of educational assistance for low-income parents who are working. In order to receive a grant, an individual would have to contribute matching personal funds and funds provided by community sources. Annual funding of \$1 million would be provided for this program.

Job Access Loans. Job access loans would be available to address immediate and discrete financial crises of W-2 participants, if the loan is needed in order for the borrower to obtain or continue employment.

Child Care. Low-income and at-risk child care, which is funded under community aids, would be modified to eliminate child care subsidies for participation in training or educational programs (except by recipients under age 20 to complete a high school education), to limit eligibility for a subsidy to parents with income of no more than 165% of the federal poverty level and to require all parents to make a copayment based on a percentage of child care costs, depending on income and family size. Modifications to the income limit and copayment would be phased-in during 1996-97 for existing recipients. Copayments for child care would be set in the statutes. Current provisions for low-income and at-risk child care would be sunset with the implementation of W-2 child care.

W-2 child care, based in part on the modified low-income and at-risk child care subsidies established in the substitute amendment, would consolidate funding and subsidies for AFDC-related, low-income and at-risk child care into a single program, with further modifications to:

- Specify criteria for the definition of a parent, the types of employment covered, non-financial requirements and resource limitations;

- Create a type of provider termed "provisional or Level II" and define certified family providers as "Level I";

- Limit payments to certified providers to 75% of the maximum rate for licensed family care, for Level I (certified family providers) and 50% of the maximum rate for licensed family care for Level II (provisionally certified providers); and

- Retain county administration of child care, including the determination of required copayments, reimbursement to providers through vouchers or other means, certification and required criminal background investigations of Level I and II providers, and assistance to individuals to identify and select appropriate care.

- Extend criminal background investigations to state-licensed day care providers and before and after school day care providers under contract with a school board.

Kinship Care. Counties would be required to determine eligibility for kinship care payments of \$215 per month to a relative who is providing care and maintenance for a child, including whether placement with the relative is in the best interests of the child and whether the child is in need of, or at risk of, protection or services. As part of the determination, a county would be required to conduct a background investigation of kinship care applicants, or their employes or adult residents.

Each county would be required, beginning July 1, 1996, to assess and conduct a background investigation of each nonlegally responsible relative who is providing care for a dependent child supported by payments under AFDC. Immediately after this determination, income maintenance payments would be terminated and, if eligible, kinship care or foster care payments would be initiated. In 1996-97, DILJD would continue to provide these payments from the public assistance appropriation; beginning in 1997-98, kinship care payments would be transferred to community aids.

State and federal appropriations would be created for kinship and foster care assessments required for each nonlegally responsible relative. Funding of \$1.2 million GPR would be provided in 1996-97. With estimated federal matching payments of \$1.8 million, total funding budgeted for assessments would be \$3.0 million in 1996-97.

State Supplemental Security Income (SSI) Benefits. ASA 3 would create a separate monthly supplemental payment of \$77 under the state SSI supplement to the federal SSI payment for each dependent child of a custodial parent who is entitled to receive SSI benefits. Currently, children of SSI parents may be eligible for AFDC; the monthly AFDC payment is \$249 for one child.

Wisconsin Works Health Plan. ASA 3 would eliminate coverage for all AFDC-related and healthy start groups under the state's medical assistance (MA) program and, instead, establish eligibility for health care coverage under the Wisconsin Works health plan for members of

Wisconsin Works groups, pregnant women with no dependent children and minor custodial parents. "Wisconsin Works groups" would include families with dependent children that meet a statutory definition created in the substitute amendment. However, families would not be required to participate in the Wisconsin Works employment programs in order to be eligible for the Wisconsin works health plan.

In order to be eligible for the Wisconsin Works health plan, an individual would be required to reside in a family with a gross income at or below 165% of the federal poverty level, although the individual could continue to participate in the plan if family income is no more than 200% of the FPL. In addition, families that otherwise meet all of the eligibility requirements of the W-2 health plan but have income in excess of 165% of the FPL could become eligible for the W-2 health plan by incurring medical expenses that result in their "spending down" to 165% of the FPL.

Some families that meet the demographic and income criteria for participation in the W-2 plan would be ineligible to participate in the plan for specified periods.

- No individual would be eligible for coverage in a month in which the individual is eligible for employer-subsidized health care coverage. "Employer-subsidized health care coverage" would be defined as coverage offered by an employer for which the employer pays at least 50% of the cost of coverage for the employee, including dependent coverage.

- Individuals who withdraw from the W-2 health plan while still eligible would be ineligible for the plan for a six-month period. In addition, families that fail to make timely premium payments, as determined by DILJD by rule, would be ineligible for the W-2 health plan for months in which the premium is not paid.

- Under certain circumstances, an individual would be ineligible for the W-2 health plan if the family had access to employer-subsidized health care coverage within the 18 months immediately preceding application to the W-2 health plan.

- An individual who had access to unsubsidized employer-offered health care for at least 12 months would be ineligible to participate in the W-2 health plan.

However, pregnant women and children up to age six in families with income up to 165% of the FPL and children between the ages of six and twelve in families with income up to 100% of the FPL would be exempt from the provisions relating to access to employer-provided health plans that would otherwise make these groups ineligible for the W-2 health plan.

Coverage under the Wisconsin Works health plan would include all services currently available under the state's MA program, with several exceptions. It is anticipated that these services would be provided through health maintenance organizations. Families would be required to pay a monthly premium based on income and family size, as specified in the statutes.

Health Insurance Market Reforms. ASA 3 includes all of the provisions contained in Assembly Substitute Amendment 2 to 1995 Assembly Bill 416, which was approved by the Assembly on a vote of 96-0 on September 28, 1995.

The provisions of Assembly Substitute Amendment 2 to AB 416 relate primarily to group health insurance market reform. The major changes relate to: (1) limitations on the extent to which preexisting condition exclusions to coverage under a health insurance plan may be included in group policies; (2) uninterrupted health insurance coverage from one plan to another (portability of coverage) under specified conditions; (3) uniform standards relative to requirements for minimum number of employee participants and minimum levels of required employer contributions; (4) required coverage of all eligible employees of an employer and all of the dependents of those employees; (5) a requirement that a group health benefit plan accept an eligible employee and his or her dependents for coverage after the employer's coverage has started without regard to the employee's or dependent's health condition or claims experience (guaranteed acceptance); and (6) prohibiting a group health benefit plan from being canceled by an insurer before the expiration of the agreed term, with certain exceptions, and requiring that such plans be guaranteed renewable at the option of the policyholder under the plan's terms at the expiration of the agreed term, with certain exceptions (insurance plan termination and renewability).

These provisions would be applicable to all group health benefit plans provided by an insurer and offered by employers including, except where specifically exempted, state and local governments. Employees covered by the provisions would be those who work on a permanent basis and have a normal work week of 30 or more hours, with public employees specifically defined as those eligible for benefits under the public employee trust fund.

Evaluation. DILJD would be required to contract with the Legislative Audit Bureau (LAB) for a financial and performance audit of the W-2 program. The audit would have to cover the program's effect on wages paid to participants, the provision of child care services and the utilization and cost of the program's health plan. The report would be due July 1, 2000.

Fiscal Effect. The major expenditure categories under the W-2 program include wage subsidies for participation in employment positions, health care coverage, child care and local agency office expenses. In addition, costs would be incurred for cash assistance and health care for children whose parents receive SSI, disability assessments for transitional placements, foster care and kinship care, foregone child support revenues, job access loans, emergency assistance, employment skill advancement grants, state administration, burial costs and expansion of the children first program.

The W-2 program is estimated to cost \$1,072.4 million in 1997-98 (the first year of implementation) and \$1,055.9 million in 1998-99, including the impact on the state earned income credit, homestead credit and individual income tax revenues. Based on the assumptions regarding federal block grant legislation, it appears that sufficient revenues would be available to fund the program in the 1997-99 biennium with existing GPR appropriations.

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Compared to ASA 2, the total cost of the program under ASA 3 would increase by \$47.2 million in 1997-98 and \$72.2 million in 1998-99. These figures include:

a. \$24.4 million in 1997-98 and \$33.0 million in 1998-99, which reflect the reduced child care copayment schedule in ASA 3.

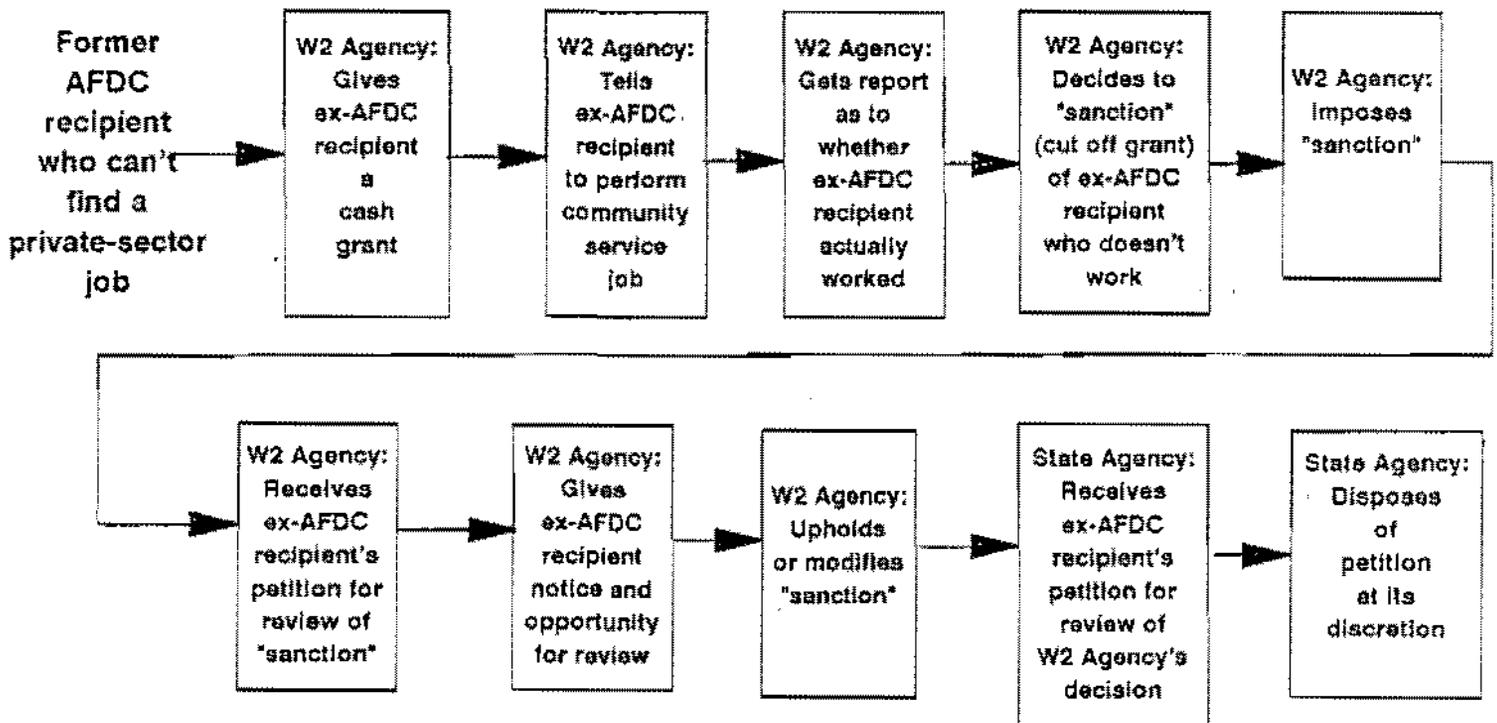
b. \$19.4 million in 1997-98 and \$34.9 million in 1998-99 due to the health care modifications in ASA 3. Of this, the change in funding under the W-2 health plan is due to: (a) increased expenditures of \$45.2 million in 1997-98 and \$60.7 million in 1998-99 for certain low-income pregnant women and children who are now eligible for MA under healthy start guidelines and who would remain eligible for W-2, irrespective of the employer-related coverage requirements of W-2; (b) increased expenditures of \$2.2 million annually for medically needy who meet other W-2 criteria but who incur medical costs to spend down to W-2 income limits; (c) increased expenditures of \$0.8 million annually for presumptive eligibility determinations of pregnant women; and (d) reduced costs of \$28.8 million annually due to a reestimate of eligibility and premiums under W-2 for certain recipients who are now eligible for medical assistance, but who do not receive AFDC payments.

c. \$3.3 million in each year for continuation of the emergency assistance program.

d. \$1 million in each year for the employment skills advancement program.

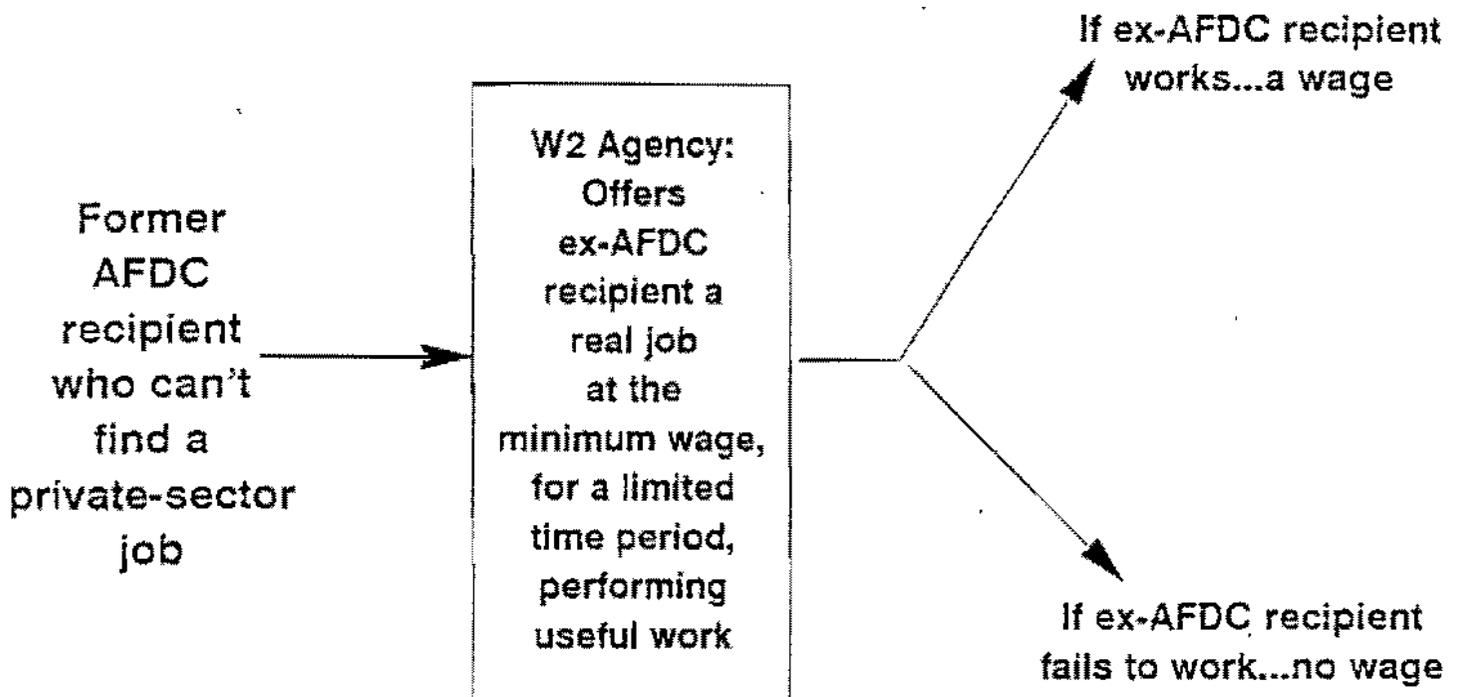
e. A reduction of \$0.9 million in 1997-98 in the cost of kinship care assessments.

W2's Unnecessary Bureaucracy



Solution:

Cut the Bureaucracy, Offer Real Jobs



W-2's Disincentive to Work

One Parent With Two Children (Milwaukee County)

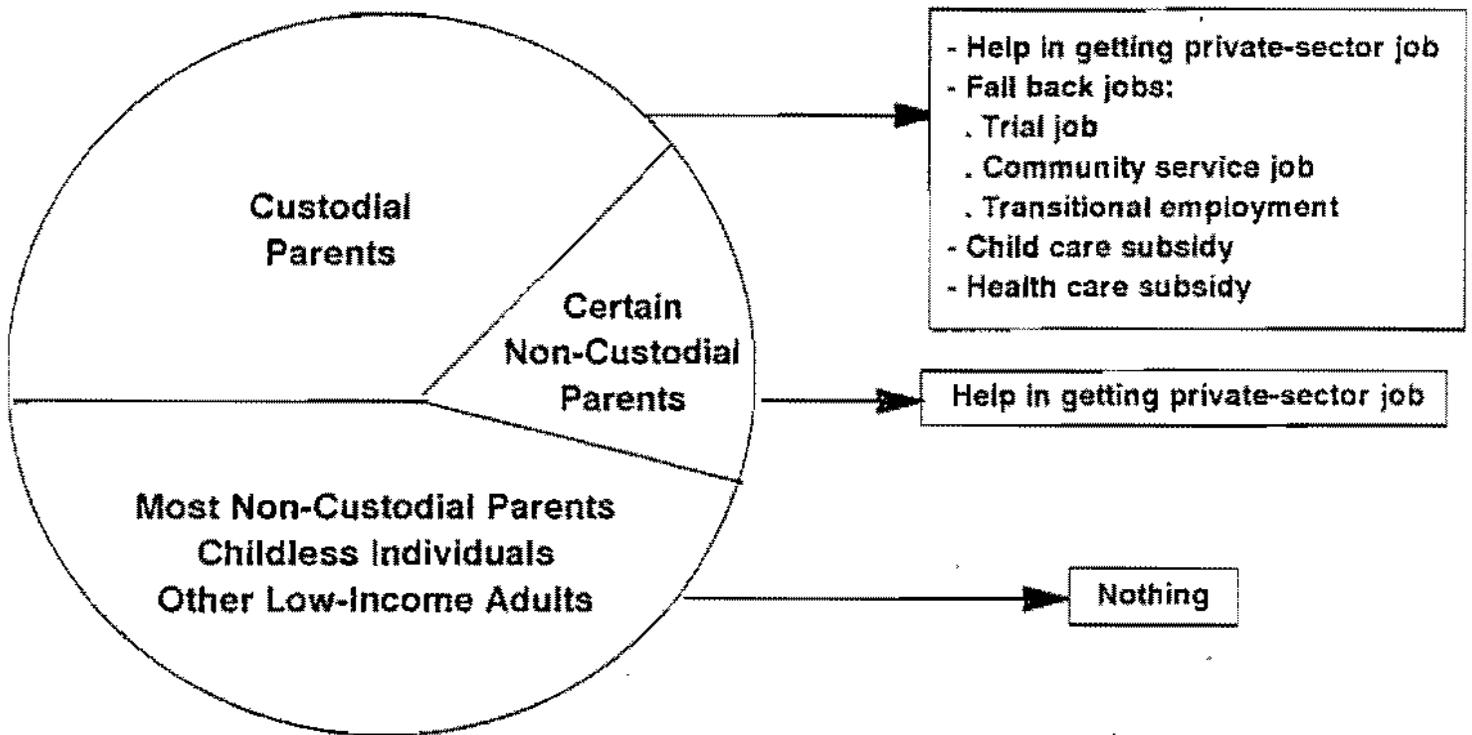
Wage	Total Annual Income After Taxes, EITC, Homestead, Food Stamps, and Child Care and Health Care Co-Pays
\$4.25	\$15,057
5.00	15,544
6.00	15,389
7.00	14,913
8.00	11,929
9.00	11,764
10.00	11,555
11.00	11,543
12.00	11,852

Source: Legislative Fiscal Bureau

Solution:

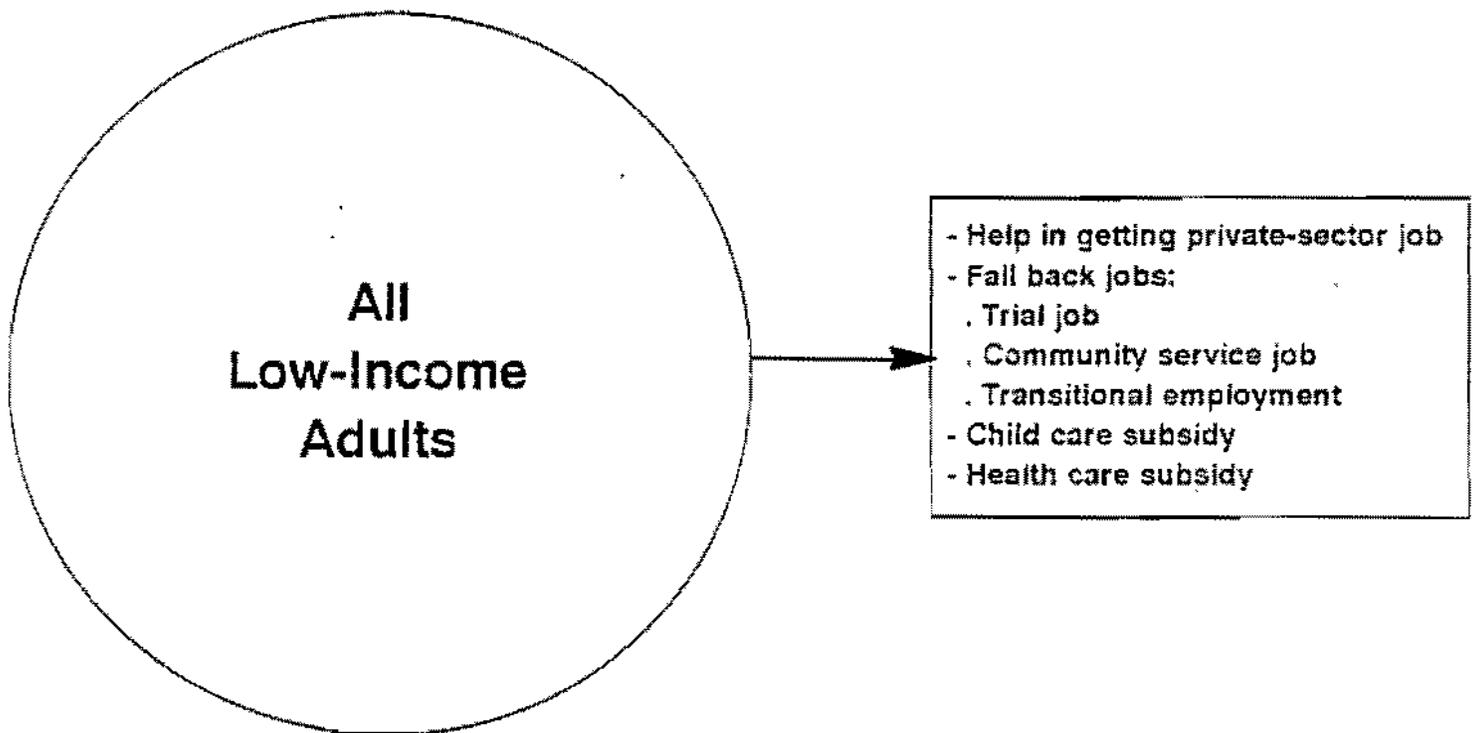
- Higher wages should always produce higher total income
- W2's child care and health care co-pays must be amended to produce this result.

W-2's Exclusion of Many Low-Income Workers



Solution:

Include All Low-Income Workers in W-2



W2

- W2 is a good start.

But it has serious flaws.

The Governor and Legislature should fix those flaws before the bill becomes law.

- Welfare is a failure.
 - It can't be fixed.
 - It can't be "reformed."
 - It can't even be "ended as we know it."
 - Welfare should be replaced altogether with a non-bureaucratic, work-based system that:
 - Helps all low-income adults;
 - Connects the poor who can work to private-sector jobs;
 - Offers community service jobs only to those who've tried in good faith, but haven't been able, to get a private-sector job;
 - Makes work pay;
 - Provides child care, based on ability to pay;
 - Provides health care, based on ability to pay.

- W2 is a good start towards replacing welfare because it:
 - Repeals AFDC in Wisconsin.
 - Offers work-based help to a larger number of low-income adults (not just unmarried, unemployed parents but married parents and employed parents).
 - Focuses on getting the unemployed connected to private-sector jobs.
 - Provides community service jobs as a fall-back...rather than giving people cash without requiring work.
 - Makes child care and health care available on a sliding scale.
- But W2 has several major flaws—flaws which the Governor and Legislature can and should fix:
 - 1) For one-half the poor—i.e., those who don't get private-sector jobs—it recreates a highly bureaucratic, welfare-like system:
 - Bureaucrats will continue to give these poor adults welfare grants;
 - Bureaucrats will then tell them they must "work off" their grants at community service jobs (same as today's "workfare");
 - Bureaucrats will get reports as to whether the poor worked;
 - Bureaucrats will then "sanction," i.e., cut the welfare grants of, the poor who don't "comply" (same as today's welfare system);
 - Bureaucrats will send out notices of their intent to impose "sanctions" and of the poor's right to appeal;
 - Bureaucrats will hold hearings and make final decisions.

SOLUTION: W2 should be amended to get rid of this bureaucratic reinvention of welfare. The poor who can't get private-sector jobs should simply be offered real jobs at the minimum wage, for limited time periods, performing useful work, under the supervision of local non-profit organizations. If they don't work, they don't get paid. That's the only "sanction" needed.

2) W2 also recreates the current bureaucratic welfare approach of picking which poor will be helped (custodial parents) and which poor won't be helped (all others). This:

- Creates a perverse incentive to trick the bureaucrats;
- Creates a perverse incentive to have babies in order to qualify as a parent;
- Is unfair to half the poor.

SOLUTION: W2 should be amended to get rid of this bureaucratic model of picking which poor to help and which poor not to help. W2 should offer work-based help to all the poor.

3) W2 (as noted in today's Journal Sentinel) penalizes the poor who work hard and earn higher wages by lowering their total income. The problem is that their child care and health care co-pays rise too rapidly.

SOLUTION: W2 should be amended to ensure that, as earnings rise, total income always rises (because child care and health care co-pays phase out more gradually). It appears as if Governor Thompson may be willing to support such an amendment, which is good.

4) W2's health care plan is so user unfriendly, and unrealistic about when the poor can afford private coverage, that it will increase the number of Wisconsin children and parents who have no health insurance.

SOLUTION: W2's health care plan should be amended to be user friendly and make health insurance easily available—based on ability to pay—to the extent that private coverage is not realistic.

Replacing Welfare with Work

Mayor John O. Norquist

City of Milwaukee

Public Policy Forum

Viewpoint Luncheon and Annual Meeting

January 24, 1996

Welcome

I'd like to thank the Public Policy Forum for inviting me to speak at its annual meeting.

Since 1913, the Public Policy Forum has educated Milwaukeeans about the challenges and choices facing our community.

I want to congratulate the Forum — for having the courage to speak truth to power.

You've made Milwaukee a better place.

Introduction

I'm going to talk today about Milwaukee's future.

I believe that we must meet several challenges if Milwaukee is to prosper.

Today I'd like to talk about three of those challenges:

- Reducing crime.**
- Improving public services while lowering taxes.**
- Ending welfare and replacing it with work.**

Reducing Crime

Reducing crime has been my highest priority as Mayor.

Since 1990, the Common Council and I have added 272 new police officers to the Milwaukee Police Department.

We've:

- **Created and expanded the Drug Abatement Program.**
- **Created the Robbery Task Force.**
- **Created the Gang Crimes/Intelligence Division.**
- **Expanded the Auto Theft Investigation Unit.**
- **Increased beat patrols.**
- **Assigned four Milwaukee police officers to the TABS program**
- **Provided our police officers with semi-automatic pistols.**
- **Installed a computer-driven dispatching system.**
- **And created Parole Watch...and now Parole Stop.**

Strengthening the hand of the Milwaukee Police Department to track down criminals has produced results.

Since 1990:

- **Homicides have gone down.**
- **Rape is down.**
- **Robberies are down.**
- **Burglaries are down.**
- **Auto thefts are down.**
- **And over 2,500 drug houses have been closed.**

But crime needs to go down more — a lot more.

That's why the Common Council agreed with me to add 10 police officers in the City's 1996 budget.

And that's why we've launched Parole Stop — to oppose the early release of every violent felon back to Milwaukee.

I will not be satisfied — and none of us will — until we have rolled back crime to much lower levels.

Milwaukee's future depends on it.

Taxes

Milwaukee's future also depends on our ability to maintain and improve essential public services while lowering spending — and cutting taxes.

I'm proud of the fact that, while I've been Mayor, we've held City spending below the rate of inflation.

And I've promised, if the people choose me again as their Mayor, to keep City spending below the rate of inflation.

I'm also proud that, while I've been Mayor, the City has lowered its tax rate for eight years in a row.

From \$13.09 per \$1,000 of assessed valuation to \$10.53 in the most recent budget.

Most Milwaukeeans recognize that they get good services from the City — police and fire protection, emergency medical care, snow plowing, garbage pick-up and many more.

And most Milwaukeeans paid less in taxes this year than the year before.

Those are two good trends: high-quality services, lower taxes.

But I am far from satisfied with the status quo. We need to keep improving services and lowering taxes.

Milwaukee's future depends on that as well.

Replacing Welfare with Work

The main issue I wanted to focus on today is welfare — and how to replace welfare with work.

Since 1990, I have called for eliminating welfare entirely and replacing it with a new system that requires able-bodied adults to work and helps connect them to private-sector jobs.

Welfare is a complete failure — a moral and economic failure; a failure of compassion, a failure of justice and a failure of common sense.

What good can one say about a system that gives adults money for not working and then makes them worse off if they do work? How can one even argue for a system that writes monthly checks to people on the condition that they have children — and not be married?

What rationale exists for a system that fails to help poor mothers get the jobs they want and need — while completely ignoring poor fathers, childless individuals, and other low-income adults?

Welfare is a failure.

It can't be fixed.

It cannot, and should not, be reformed.

It cannot, and should not, even be "ended as we know it."

The only solution is to end welfare — period. To end it altogether. And to start over — with a work-based system.

Since I was elected Mayor of Milwaukee, I have worked to end welfare and replace it with a new system based on work.

I helped to create new models demonstrating what a work-based system might look like in a world without welfare.

Most of you are familiar with the New Hope Project. I played a major role in launching the New Hope Project — bringing the concept to the GMC, helping to raise foundation and corporate contributions and working to secure state and federal funding.

New Hope helps able-bodied welfare recipients and other poor adults get private-sector jobs. As needed, it offers community service jobs, earning supplements, and child care and health care. And it's starting to show success, with more than 300 participants in full-time private-sector jobs.

Another model for a future without welfare is the Milwaukee Jobs Connection. Last year I initiated the Jobs Connection to demonstrate a new way to connect AFDC recipients to private-sector jobs. The Jobs Connection pays job brokers only when they place welfare recipients in jobs. This initiative is only weeks old but is already starting to put welfare recipients into jobs.

As Mayor I've also worked for changes in the foundation being developed for Wisconsin's new work-based system.

My administration played a major role in persuading the state legislature and Governor Thompson to create and expand the state's Earned Income Tax Credit. As a result, this state credit now rewards low-income people who work with earning supplements totaling almost \$50 million a year.

Of equal significance, in 1993, I worked hard to persuade state legislators and Governor Thompson to approve the bill that ends AFDC by a date certain and requires welfare to be replaced with a work-based system. The legislature passed the bill. Governor Thompson signed it into law. Some may have voted for that bill in order to embarrass the Governor. But I supported it because I believe that the sooner we end AFDC, the better. I congratulated the Governor for signing the bill. And I believe he's glad he did.

This year, Milwaukee stands on the doorstep of liberating its poor from the dark prison of welfare and helping them climb towards the sunshine of work.

I want to commend the hundreds of individuals — and especially Governor Thompson — for their leadership in bringing Milwaukee's and Wisconsin's poor to the threshold of a society without welfare — a work-oriented society.

W-2 is a good start.

It's not perfect — and I'll be talking in a moment about how to improve it.

But we must not forget how bold and sensible W-2 is for the most part — even as we work to identify its shortcomings and persuade Governor Thompson and the legislature to make it better.

W-2 will make Wisconsin America's first "welfare-free zone," one that replaces welfare with a rational and humane work-based system.

Why do I like W-2?

W-2 repeals AFDC in Wisconsin.

It offers work-based help to a far larger number of low-income adults than are now served by AFDC...not just unmarried parents, but married ones...not just unemployed parents, but those employed in low-wage jobs.

W-2 also focuses, correctly, on immediately connecting the unemployed to private-sector jobs and helping make child care and health care available.

But although W-2 is a giant step in the right direction, the legislation needs to be improved if Milwaukee — and all of Wisconsin — are to end up with the best possible work-based system.

Just as the future of Milwaukee depends on reducing crime and lowering taxes, the future of Milwaukee also depends on improving W-2 before it becomes law.

W-2 has four major areas where improvement is needed. I have urged Secretary Joe Leman and Governor Thompson to alter the bill in each of these four areas.

I ask you to join me in calling on the Secretary and the Governor to make these changes.

First, W-2 recreates a system that is still highly bureaucratic, and too much like welfare, for those enrollees who don't get private-sector jobs and instead are put into community service jobs.

For these enrollees, local and state bureaucrats will be making as many as ten separate decisions about their lives and livelihoods.

This bureaucratic maze is not only unnecessary. It is counterproductive, trapping tens of thousands of W-2 participants in a web of bureaucratic processes when they should be out looking for work and improving their economic status. I don't believe that Governor Thompson really wants such a bureaucratic tangle built into his W-2 plan with its strong work orientation.

W-2 can easily be amended to simply offer these able-bodied participants jobs — a community service job, paying the minimum wage, for a limited time period.

If the W-2 participant works, the participant gets paid, qualifies for the Earned Income Tax Credit, and pays taxes.

If the W-2 participant fails to work, the participant doesn't get paid — that's the sanction, and it's the only sanction needed.

Ironically, unless the W-2 legislation is amended to free these W-2 participants from the bureaucratic welfare-like maze they now face and offer them jobs that pay the minimum wage, they won't get a W-2 form at tax time!

The second area where W-2 needs to be improved is its policy of causing workers who earn higher wages to end up with lower total incomes. As the Legislative Fiscal Bureau and several news accounts have correctly noted, there are many instances where W-2 participants earn more but end up with smaller incomes.

The problem is that, as their earnings rise, W-2 would increase what they pay for child care and health care even faster. The result: a decline in net income.

This problem, too, has a simple solution. W-2 should be amended to ensure that, as earnings rise, total income always rises.

The third area where the W-2 legislation needs to be improved involves which poor people will be helped. As currently drafted, W-2 unfortunately creates a bureaucratic approach under which only custodial parents are helped.

Again, the solution is simple. W-2 should be amended to extend W-2's full array of work-based help to all able-bodied low-income adults.

The fourth and final major area where W-2 needs to be improved is its health care plans. W-2's health care plan has two major problems:

First, it makes it very hard for participants to pay their monthly premiums.

Second, the W-2 health care coverage ends long before many participants will pick up coverage from private employers.

As a result, as now drafted, W-2 will leave tens of thousands of Milwaukeeans who now have Medicaid — and hundreds of thousands of Wisconsinites on Medicaid — without any health insurance.

That's unacceptable. W-2's health care plan should be amended so that it's easy for participants to pay their share of the premium. The plan should also be amended to pick a more reasonable point at which W-2's health care coverage ends.

Other Steps

While enacting an improved version of W-2 is essential to Milwaukee's future, I believe that another major step should also be taken — outside of W-2 — to connect Milwaukee's lower-income workers to the private job market.

We need to do a better job of helping new workers stay connected to the jobs they find. Recent research has pointed out that, for many low-income adults, the big problem is not finding a job — it's keeping the job.

One of the hurdles that low-income workers face in keeping jobs is work-related expenses.

For instance, some new workers need — but can't afford — a car. Other new workers need — but can't afford — special tools, special clothing, or necessary training.

I am announcing today a new initiative to solve some of these problems — a family loan program.

In developing this initiative, my administration has been working with Family Service America, the McKnight Foundation

of Minneapolis, Family Service of Milwaukee, the Private Industry Council, the State Department of Health and Social Services, and local foundations.

The Family Loan Program will help ex-AFDC recipients and other low-income adults borrow and repay the money they need to buy a car or meet other unexpected expenses related to keeping a job. I hope to announce more details of this new initiative in the coming weeks.

Conclusion

Reducing crime, improving essential city services while lowering taxes, and replacing welfare with a work-based system are the heart of my vision for Milwaukee.

They add up to a wealthier Milwaukee — a community where a robust private economy gives hard-working people the jobs and the income they need to live a good life and build a great city.

Here in Milwaukee — like nowhere else in America — we are on the verge of eliminating welfare and replacing it with work. We dare not fail to take this bold step. But we must also make sure that the new work-based system avoids crippling bureaucracy, includes all the poor who can work, offers participants real work at no less than the minimum wage, always rewards work effort, and provides low-income workers with adequate child care and health care. When work replaces welfare across Milwaukee on these terms, every citizen will be better off, every neighborhood will be healthier, and all of Milwaukee will have a brighter future.

John O. Norquist
Mayor

February 23, 1996

Senator Alberta Darling
Wisconsin State Senate
P.O. Box 7882
Madison, Wisconsin 53707-7882

Dear Senator Darling:

W2 may end AFDC in Wisconsin, but it won't end welfare.

That's because the bureaucrats at 1 W. Wilson St., who drafted the W2 bill, really don't want to end welfare. Their dream is a giant bureaucratic system under which thousands of bureaucrats forever dole out welfare cash grants to unemployed women. Because of their obsession with perpetuating bureaucracy, half of W2 participants are now doomed to be enrolled in a huge, new, bureaucratic welfare program.

Unless you say no.

Say no to the bureaucracy at 1 W. Wilson. Say no to cash grants.

Amend W2 so that it is a 100% non-bureaucratic wage-based system.

Ex-AFDC recipients who can't find private-sector jobs should never be given cash grants that a new welfare bureaucracy makes them "work off." They should simply be offered...jobs, at the minimum wage, for limited periods of time, doing useful work. If they don't work, they don't get paid. If they do work, they get a real wage, pay taxes, and qualify for the EITC.

This approach will far better prepare these individuals for the discipline of the private sector. It will also let them claim the EITC. It makes no sense to turn back at the Illinois border the \$50-60 million in federal EITC payments available to Wisconsin—half of which will flow into the economy of Southeastern Wisconsin.

Yes, this approach does increase the state's cost for FICA payments, the State EITC, and the State Homestead Credit. But there is no net cost increase. To justify the larger bureaucratic system it prefers, the 1 W. Wilson St. bureaucracy has overestimated the number of ex-AFDC recipients who will be offered community service jobs; overestimated the number who will "take up" such jobs; and overestimated their length of stay. If you use realistic assumptions, the overall cost W2 imposes on the State declines.

I urge you to amend W2 by replacing the current bureaucratic cash grant policy with one that truly ends welfare in Wisconsin; removes the dead hand of the state bureaucracy; and requires that W2's limited number of community service job workers be paid real wages, pay taxes, and qualify for the EITC.

Sincerely,

JOHN O. NORQUIST

cc: Governor Tommy Thompson
Senator Michael Ellis

Office of the Mayor
City Hall
120 East Wells Street
Milwaukee,
Wisconsin
53202
(414) 286-2200



Tomorrow, the Legislature's Joint Finance Committee decides whether to finally end welfare in Wisconsin — or whether to continue welfare with a new name.

Unfortunately, under the current W-2 legislation, the Madison welfare bureaucracy will still provide monthly benefit checks to 75% of current AFDC recipients.

This is business — the welfare business — as usual.

W-2, as now proposed, “morphs” Wisconsin back to the welfare state.

The current W-2 plan preserves Wisconsin's giant welfare system, continuing to dole out cash grants to tens of thousands of able-bodied workers.

The Madison bureaucracy will continue to trap able-bodied workers in red tape that makes it harder for them to get private-sector jobs.

W-2 preserves welfare's current policy of giving able-bodied workers monthly cash grants. As now drafted, W-2 will give able-bodied workers \$555 per month.

The Joint Finance Committee should amend W-2 so that it completely ends welfare.

Able-bodied workers who can't find private-sector jobs should never, ever be given cash grants — even if they “work off” the grants.

They should simply be offered jobs:

At the minimum wage,

For limited time periods,

Doing useful work,

Getting regular paychecks,

Qualifying for the Earned Income Tax Credit,

Getting a W-2 form at tax time,

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If we just offer poor people jobs, we won't need a welfare system to regulate their lives.

A job provides all the discipline needed. If you don't work, you don't get paid. If you work, you get a real wage, pay taxes, and qualify for the EITC.

Cutting back the state welfare bureaucracy will of course reduce the cost of W-2.

If the Joint Finance Committee doesn't fix W-2 tomorrow, more than half the participants won't even get a "W-2" form at tax time!

And Wisconsin will lose nearly \$60 million in federal EITC payments. Why stop \$60 million in federal funds from reaching the working poor throughout Milwaukee and Wisconsin?

The Joint Finance Committee tomorrow will make an historic decision — whether or not to end the welfare system.

Several Republican Senators from this area — Senators Darling, Farrow, Huelsman, Panzer, Petak, and Rosenzweig — will play a key role in making the decision.

Last Friday I wrote to each of them.

I asked them to say no to perpetuating the state's welfare bureaucracy:

To say no to cash grants for able-bodied workers;

And to amend W-2 so that it simply provides jobs and wages.

Today, I'm asking the people of Southeastern Wisconsin to call these Republican Senators.

Tell them to truly end welfare in Wisconsin,

To shut down the welfare system that's trapping many of Wisconsin's poor,

To replace welfare with work.

—END—



WISCONSIN LEGISLATURE

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

Democratic Themes

W-2

Workforce Readiness

- * Expand the grandfathering clause to allow postsecondary education and vocational skill training for individuals who, as of December 1, 1995 were enrolled in postsecondary education to continue until graduation or until 2 years after enactment of this bill.
- * Provide that W-2 employees will be allowed to obtain customized training and that the employer will pay 25% of the cost of the training and the rest will come from
- * Provide child care for self-initiated persons who are engaged in post-secondary education institutions as determined by the W-2 Agency to meet an employability plan and are in good standing with the institution. This is current law.

Work Not Welfare

- * Require that the federal minimum wage be paid to all workers in Community Service Jobs for hours worked.

Making Work Pay

- * Under W-2, as wages go up, income declines--in some cases, disposable income declines dramatically. Required copayments for child care, in particular, will consume significant amounts of a family's income.

Example: For nearly half the state's W-2 caseload who reside in areas where child care costs are high, a mother with two children who earns \$8 an hour at a trial job, takes home \$12,857 after health care and child care copayments. She loses nearly \$4000 in earned income. She's socked with a marginal tax rate 231.4%. The same person earning \$4.25 per hour will take home \$15,179 per year. (Source: Table 10, page 177, March 4 LFB memo.)

Playing by the Rules

- * Require the department to prohibit W-2 Agencies from denying services to eligible participants due to the lack of funds. Include the current fair hearing process.

Property Tax relief

- * Require that the department compile statistics on W-2 participants and former participants whose children who enter the child welfare system and require the state to reimburse the counties for 100% of the cost of the care of those children.

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February 23, 1996

Fr., 3-6-96
Today we will
send a hard
copy through
mail. DRR/ed

Milwaukee
150
1846 1996

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70 East Wells Street
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(414) 286-2200

Post-It® Fax Note	7671	Date	2-16-96	# of pages	5
To	Cruce Reed	From	N. Riemer		
Co. Dept.		City	Mayor's Office		
Phone #		Phone #	414-286-2200		
Fax #	202-456-5257	Fax #	414-286-3191		

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WR-Wisc

FAX COVER SHEET
March 14, 1996



TO: Bruce Reed
Fax # 202/456-5577

FROM: David Riemer
Office of Mayor John O. Norquist

THE FOLLOWING FAX TRANSMISSION CONTAINS ⁴¹ PAGES ~~3~~
INCLUDING THIS COVER SHEET.

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

MESSAGE:

Bruce--

Enclosed are (1) a summary prepared by the non-partisan Legislative Fiscal Bureau of the W-2 (Wisconsin Works) legislation approved today by the Legislature and sent to the Governor; (2) several documents that describe Mayor Norquist's views of the most serious flaws in W-2 (including charts he's handed to the press, talking points, a major policy speech, a letter to legislators, and his remarks at a televised press conference); and (3) the changes that the Democrats in the State Assembly sought in the bill...none of which was adopted.

Again, the Mayor's biggest problem with W-2 is that it perpetuates a giant bureaucracy to run a new kind of welfare program...a bureaucracy that will largely hand out cash grants, deny people real work at real wages, obstruct their efforts to get into the private labor market, and fail to make work pay for folks who play by the rules.

If you have any questions, please call me at 414/286-8577.

David

P.S. Please note that due to technical problems this 41-page fax will be sent ⁵ separate times. Sorry for any inconvenience this may cause.

EXECUTIVE SUMMARY

Under 1993 Wisconsin Act 99, the state's basic aid to families with dependent children (AFDC) program will be repealed on January 1, 1999. No later than December 31, 1995, the Secretary of the Department of Health and Social Services (H&SS) is required to submit to the Legislature a proposal for welfare reform in Wisconsin. The proposal must provide for the replacement of the basic AFDC program by December 31, 1998.

ASA 3 to AB 591 is a modified version of Department's proposal for the replacement of AFDC in Wisconsin. The new program is referred to as Wisconsin Works (W-2). In order to implement W-2, the Department would have to obtain a waiver from the federal government or federal legislation would have to be adopted permitting the new provisions. The following sections highlight components of the W-2 program.

Purpose of the Program. The purpose of the W-2 program is to eliminate the cash and health care entitlements provided under the current AFDC and medical assistance programs and, instead, require recipients of public assistance to work in unsubsidized employment or in government-subsidized trial jobs and community service jobs. Individuals who are incapacitated could be assigned to transitional placements with more limited work requirements. The program would also establish time limits for the receipt of benefits.

Local Administration. During the initial years of implementation, the W-2 program would be administered locally by county departments of human/social services or tribes if the county or tribe has met caseload performance standards established by the Department of Industry, Labor and Job Development (DILJD) and the county or tribe does not elect to opt out of administering the program. Counties that elect to administer W-2 under this provision where there is a separate JOBS agency in that county would be required to offer a subcontract to the current JOBS agency to administer the W-2 employment program.

If a county elects not to administer W-2, the program would be administered by other public or private agencies under contract with DILJD on the basis of a competitive process. The initial contracts would have to be for a period of at least two years. After the initial contracts expire, DILJD would be authorized to contract with any person to administer W-2 in a geographical area determined by the Department, on the basis of a competitive process.

Nonentitlement. Notwithstanding fulfillment of the eligibility requirements for any component, an individual would not be entitled to services or benefits under Wisconsin Works.

Eligibility for Employment Positions. In order to be eligible for W-2 employment positions and job access loans for any month, an individual would have to meet a number of nonfinancial and financial eligibility requirements. The primary nonfinancial eligibility requirement is that the participant would have to be a custodial parent who has attained the age

of 18. However, in certain circumstances, noncustodial parents could participate in an employment position and receive other services. In addition, the individual would have to fully cooperate in efforts directed at establishing paternity of the dependent child and obtaining child support and could not be receiving SSI.

Financial eligibility requirements include a resource limitation and an income limitation. Under the resource limitation, the family's assets could not exceed \$2,500 in combined equity value, excluding the equity value of vehicles up to a total value of \$10,000 and one home that serves as the group's homestead. The income limitation would specify that the family's gross income could not exceed 115% of the federal poverty level (FPL).

W-2 Work Programs. Participants in Wisconsin Works would be assigned to one of four types of placements:

- Unsubsidized employment
- Trial jobs
- Community service jobs (CSJs)
- Transitional placements

Under W-2, a recipient's monthly cash benefit would depend upon the type of placement and the number of hours worked during the month. Unlike the current AFDC program, there would be no family-size adjustment.

Trial jobs would provide on-the-job training and work experience for participants who are unable to obtain unsubsidized employment. Participants in trial jobs would be paid an amount established in the contract between the W-2 agency and the employer, but not less than minimum wage, for each hour worked. A wage subsidy of up to \$300 per month would be paid to trial job employers by the W-2 agency.

Community service jobs would provide work experience and training to assist participants to move promptly into unsubsidized employment or a trial job and would be limited to projects that the Department determines would serve a useful public purpose, or to projects whose cost is partially or wholly offset by revenue generated by such projects. CSJ participants would receive a monthly grant of \$555. Custodial parents whose youngest child is less than 12 weeks old would receive a monthly grant of \$555 but would not be required to participate in a W-2 employment position.

Transitional placements would be available for persons who are incapacitated or otherwise unable to perform a community service job. Participants in transitional placements would receive a monthly grant of \$518.

Participants in CSJs would be required to work up to 30 hours per week and to engage in educational and training activities for an additional 10 hours per week. Transitional placements

would be required to work up to 28 hours per week and to engage in educational and training activities for 12 hours per week.

In addition to the employment benefits outlined above, W-2 participants would be eligible for food stamps, health care, child care, educational assistance and transportation assistance. Participants in unsubsidized employment and trial jobs would be eligible for the federal and state earned income tax credits (EITC). Although the federal tax treatment of benefits received by participants in CSJs and transitional placements would be determined by the federal Internal Revenue Service, it is not likely that these participants would be eligible for the EITC.

Time Limits. Participation in trial jobs, CSJs and transitional placements would generally be limited to 24 months each. However, extensions could be granted on a case-by-case basis. Overall participation in W-2 would be limited to five years. Active participation in the current JOBS program would count toward the five-year limit beginning on July 1, 1996, or the day after publication of the act, whichever is later. The five-year restriction could be waived in 12-month increments if unusual circumstances warrant an extension.

Employment Skills Advancement Program. The substitute amendment would create an employment skills advancement program which would provide up to \$500 of educational assistance for low-income parents who are working. In order to receive a grant, an individual would have to contribute matching personal funds and funds provided by community sources. Annual funding of \$1 million would be provided for this program.

Job Access Loans. Job access loans would be available to address immediate and discrete financial crises of W-2 participants, if the loan is needed in order for the borrower to obtain or continue employment.

Child Care. Low-income and at-risk child care, which is funded under community aids, would be modified to eliminate child care subsidies for participation in training or educational programs (except by recipients under age 20 to complete a high school education), to limit eligibility for a subsidy to parents with income of no more than 165% of the federal poverty level and to require all parents to make a copayment based on a percentage of child care costs, depending on income and family size. Modifications to the income limit and copayment would be phased-in during 1996-97 for existing recipients. Copayments for child care would be set in the statutes. Current provisions for low-income and at-risk child care would be sunset with the implementation of W-2 child care.

W-2 child care, based in part on the modified low-income and at-risk child care subsidies established in the substitute amendment, would consolidate funding and subsidies for AFDC-related, low-income and at-risk child care into a single program, with further modifications to:

- Specify criteria for the definition of a parent, the types of employment covered, non-financial requirements and resource limitations;

- Create a type of provider termed "provisional or Level II" and define certified family providers as "Level I";
- Limit payments to certified providers to 75% of the maximum rate for licensed family care, for Level I (certified family providers) and 50% of the maximum rate for licensed family care for Level II (provisionally certified providers); and
- Retain county administration of child care, including the determination of required copayments, reimbursement to providers through vouchers or other means, certification and required criminal background investigations of Level I and II providers, and assistance to individuals to identify and select appropriate care.
- Extend criminal background investigations to state-licensed day care providers and before and after school day care providers under contract with a school board.

Kinship Care. Counties would be required to determine eligibility for kinship care payments of \$215 per month to a relative who is providing care and maintenance for a child, including whether placement with the relative is in the best interests of the child and whether the child is in need of, or at risk of, protection or services. As part of the determination, a county would be required to conduct a background investigation of kinship care applicants, or their employes or adult residents.

Each county would be required, beginning July 1, 1996, to assess and conduct a background investigation of each nonlegally responsible relative who is providing care for a dependent child supported by payments under AFDC. Immediately after this determination, income maintenance payments would be terminated and, if eligible, kinship care or foster care payments would be initiated. In 1996-97, DILJD would continue to provide these payments from the public assistance appropriation; beginning in 1997-98, kinship care payments would be transferred to community aids.

State and federal appropriations would be created for kinship and foster care assessments required for each nonlegally responsible relative. Funding of \$1.2 million GPR would be provided in 1996-97. With estimated federal matching payments of \$1.8 million, total funding budgeted for assessments would be \$3.0 million in 1996-97.

State Supplemental Security Income (SSI) Benefits. ASA 3 would create a separate monthly supplemental payment of \$77 under the state SSI supplement to the federal SSI payment for each dependent child of a custodial parent who is entitled to receive SSI benefits. Currently, children of SSI parents may be eligible for AFDC; the monthly AFDC payment is \$249 for one child.

Wisconsin Works Health Plan. ASA 3 would eliminate coverage for all AFDC-related and healthy start groups under the state's medical assistance (MA) program and, instead, establish eligibility for health care coverage under the Wisconsin Works health plan for members of

Wisconsin Works groups, pregnant women with no dependent children and minor custodial parents. "Wisconsin Works groups" would include families with dependent children that meet a statutory definition created in the substitute amendment. However, families would not be required to participate in the Wisconsin Works employment programs in order to be eligible for the Wisconsin works health plan.

In order to be eligible for the Wisconsin Works health plan, an individual would be required to reside in a family with a gross income at or below 165% of the federal poverty level, although the individual could continue to participate in the plan if family income is no more than 200% of the FPL. In addition, families that otherwise meet all of the eligibility requirements of the W-2 health plan but have income in excess of 165% of the FPL could become eligible for the W-2 health plan by incurring medical expenses that result in their "spending down" to 165% of the FPL.

Some families that meet the demographic and income criteria for participation in the W-2 plan would be ineligible to participate in the plan for specified periods.

- No individual would be eligible for coverage in a month in which the individual is eligible for employer-subsidized health care coverage. "Employer-subsidized health care coverage" would be defined as coverage offered by an employer for which the employer pays at least 50% of the cost of coverage for the employee, including dependent coverage.

- Individuals who withdraw from the W-2 health plan while still eligible would be ineligible for the plan for a six-month period. In addition, families that fail to make timely premium payments, as determined by DILJD by rule, would be ineligible for the W-2 health plan for months in which the premium is not paid.

- Under certain circumstances, an individual would be ineligible for the W-2 health plan if the family had access to employer-subsidized health care coverage within the 18 months immediately preceding application to the W-2 health plan.

- An individual who had access to unsubsidized employer-offered health care for at least 12 months would be ineligible to participate in the W-2 health plan.

However, pregnant women and children up to age six in families with income up to 165% of the FPL and children between the ages of six and twelve in families with income up to 100% of the FPL would be exempt from the provisions relating to access to employer-provided health plans that would otherwise make these groups ineligible for the W-2 health plan.

Coverage under the Wisconsin Works health plan would include all services currently available under the state's MA program, with several exceptions. It is anticipated that these services would be provided through health maintenance organizations. Families would be required to pay a monthly premium based on income and family size, as specified in the statutes.

Health Insurance Market Reforms. ASA 3 includes all of the provisions contained in Assembly Substitute Amendment 2 to 1995 Assembly Bill 416, which was approved by the Assembly on a vote of 96-0 on September 28, 1995.

The provisions of Assembly Substitute Amendment 2 to AB 416 relate primarily to group health insurance market reform. The major changes relate to: (1) limitations on the extent to which preexisting condition exclusions to coverage under a health insurance plan may be included in group policies; (2) uninterrupted health insurance coverage from one plan to another (portability of coverage) under specified conditions; (3) uniform standards relative to requirements for minimum number of employee participants and minimum levels of required employer contributions; (4) required coverage of all eligible employees of an employer and all of the dependents of those employees; (5) a requirement that a group health benefit plan accept an eligible employee and his or her dependents for coverage after the employer's coverage has started without regard to the employee's or dependent's health condition or claims experience (guaranteed acceptance); and (6) prohibiting a group health benefit plan from being canceled by an insurer before the expiration of the agreed term, with certain exceptions, and requiring that such plans be guaranteed renewable at the option of the policyholder under the plan's terms at the expiration of the agreed term, with certain exceptions (insurance plan termination and renewability).

These provisions would be applicable to all group health benefit plans provided by an insurer and offered by employers including, except where specifically exempted, state and local governments. Employees covered by the provisions would be those who work on a permanent basis and have a normal work week of 30 or more hours, with public employees specifically defined as those eligible for benefits under the public employee trust fund.

Evaluation. DILJD would be required to contract with the Legislative Audit Bureau (LAB) for a financial and performance audit of the W-2 program. The audit would have to cover the program's effect on wages paid to participants, the provision of child care services and the utilization and cost of the program's health plan. The report would be due July 1, 2000.

Fiscal Effect. The major expenditure categories under the W-2 program include wage subsidies for participation in employment positions, health care coverage, child care and local agency office expenses. In addition, costs would be incurred for cash assistance and health care for children whose parents receive SSI, disability assessments for transitional placements, foster care and kinship care, foregone child support revenues, job access loans, emergency assistance, employment skill advancement grants, state administration, burial costs and expansion of the children first program.

The W-2 program is estimated to cost \$1,072.4 million in 1997-98 (the first year of implementation) and \$1,055.9 million in 1998-99, including the impact on the state earned income credit, homestead credit and individual income tax revenues. Based on the assumptions regarding federal block grant legislation, it appears that sufficient revenues would be available to fund the program in the 1997-99 biennium with existing GPR appropriations.

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Compared to ASA 2, the total cost of the program under ASA 3 would increase by \$47.2 million in 1997-98 and \$72.2 million in 1998-99. These figures include:

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a. \$24.4 million in 1997-98 and \$33.0 million in 1998-99, which reflect the reduced child care copayment schedule in ASA 3.

b. \$19.4 million in 1997-98 and \$34.9 million in 1998-99 due to the health care modifications in ASA 3. Of this, the change in funding under the W-2 health plan is due to: (a) increased expenditures of \$45.2 million in 1997-98 and \$60.7 million in 1998-99 for certain low-income pregnant women and children who are now eligible for MA under healthy start guidelines and who would remain eligible for W-2, irrespective of the employer-related coverage requirements of W-2; (b) increased expenditures of \$2.2 million annually for medically needy who meet other W-2 criteria but who incur medical costs to spend down to W-2 income limits; (c) increased expenditures of \$0.8 million annually for presumptive eligibility determinations of pregnant women; and (d) reduced costs of \$28.8 million annually due to a reestimate of eligibility and premiums under W-2 for certain recipients who are now eligible for medical assistance, but who do not receive AFDC payments.

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c. \$3.3 million in each year for continuation of the emergency assistance program.

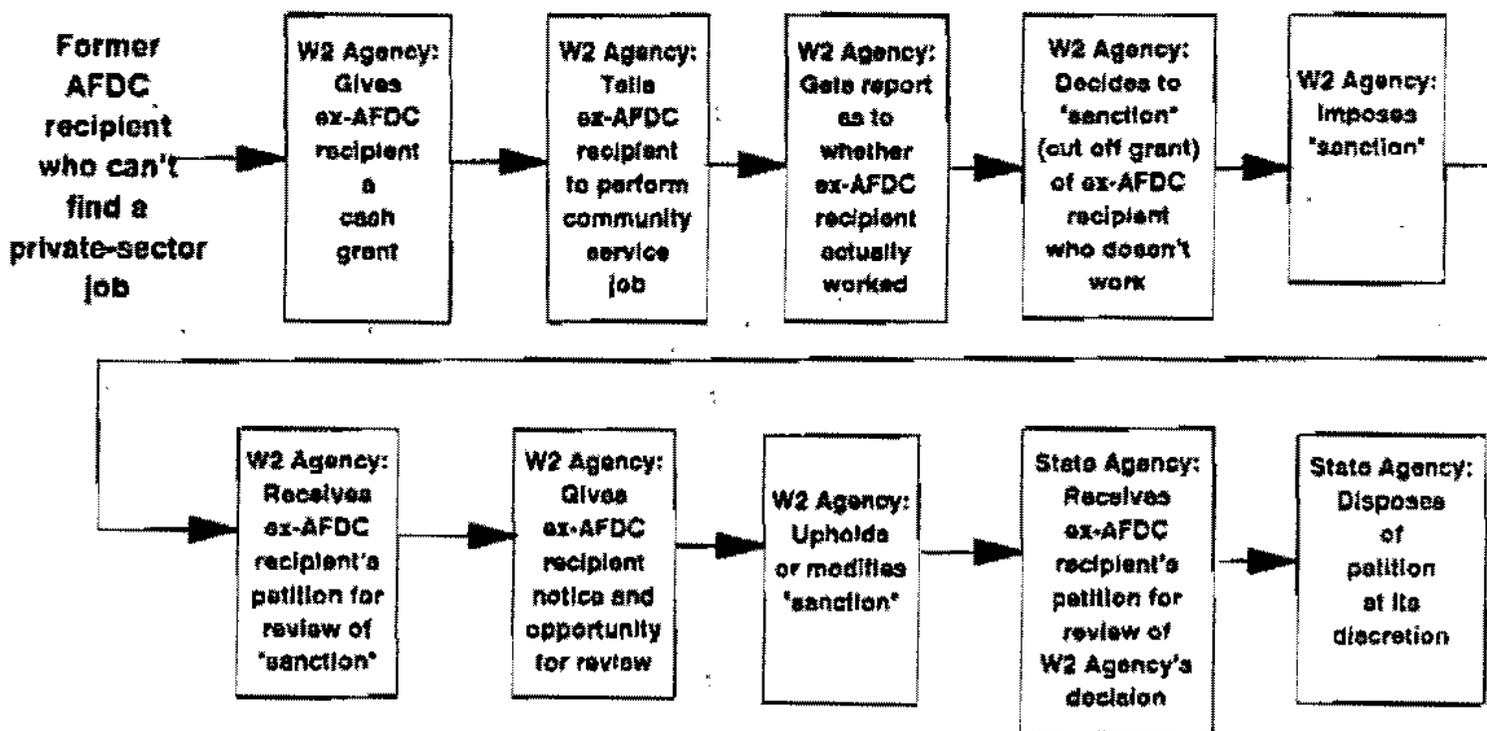
d. \$1 million in each year for the employment skills advancement program.

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e. A reduction of \$0.9 million in 1997-98 in the cost of kinship care assessments.

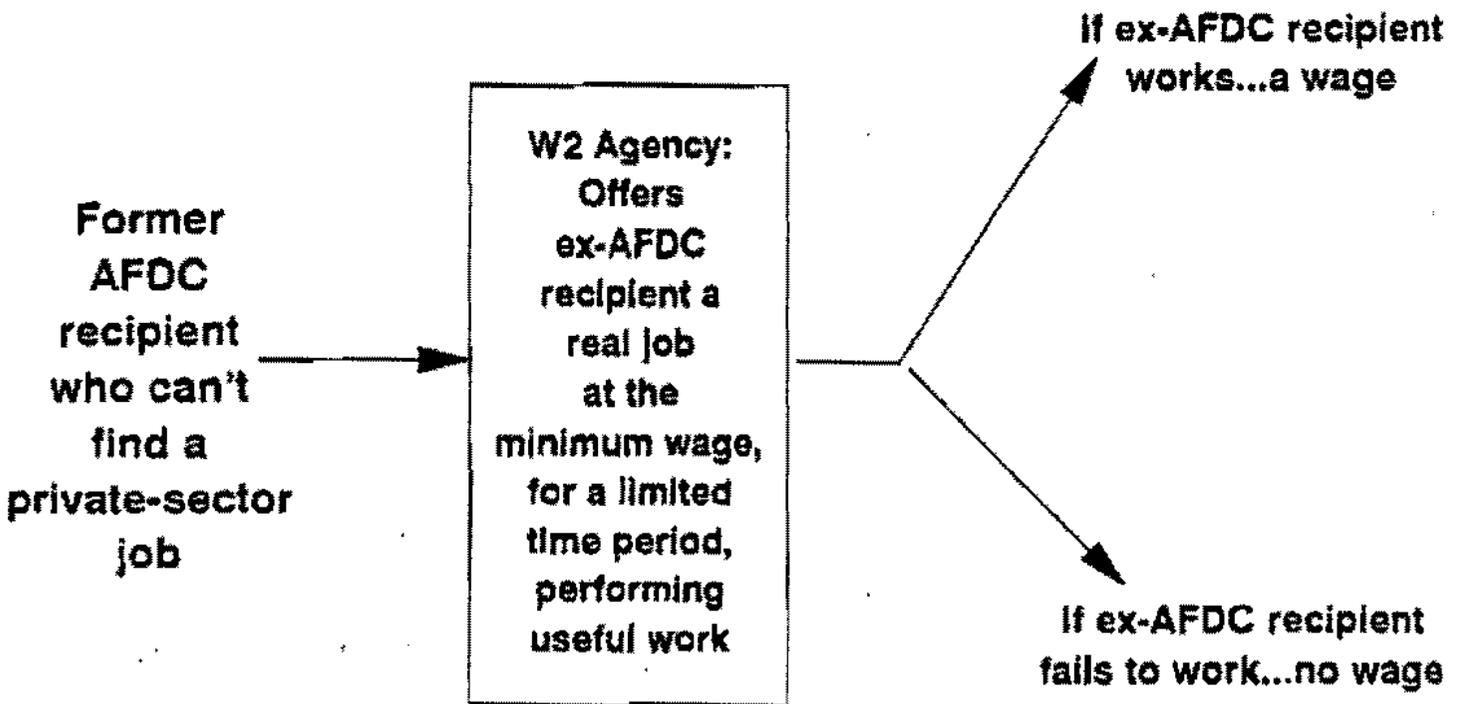
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W2's Unnecessary Bureaucracy



Solution:

Cut the Bureaucracy, Offer Real Jobs



W-2's Disincentive to Work

One Parent With Two Children (Milwaukee County)

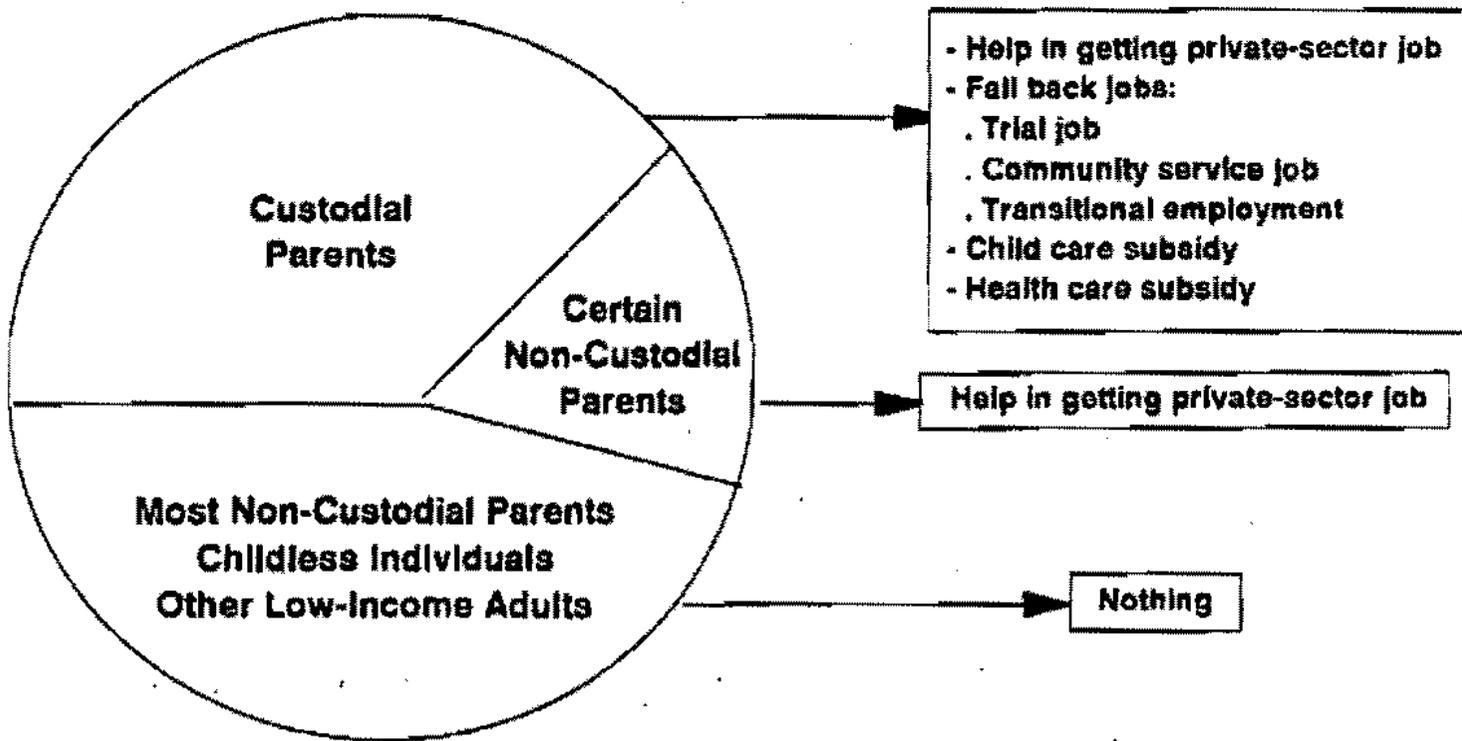
Wage	Total Annual Income After Taxes, EITC, Homestead, Food Stamps, and Child Care and Health Care Co-Pays
\$4.25	\$15,057
5.00	15,544
6.00	15,389
7.00	14,913
8.00	11,929
9.00	11,764
10.00	11,555
11.00	11,543
12.00	11,852

Source: Legislative Fiscal Bureau

Solution:

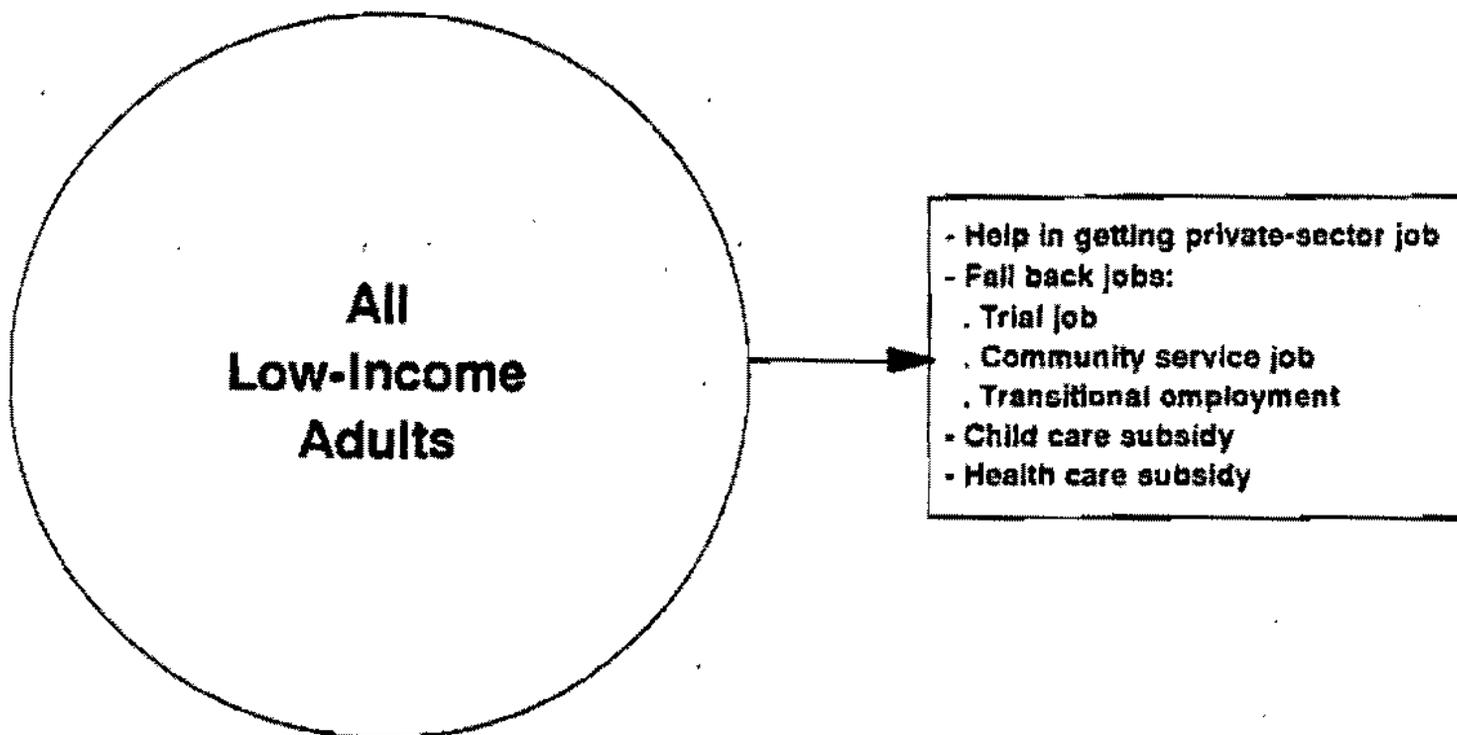
- **Higher wages should always produce higher total income**
- **W2's child care and health care co-pays must be amended to produce this result.**

W-2's Exclusion of Many Low-Income Workers



Solution:

Include All Low-Income Workers in W-2



W2

- **W2 is a good start.**

But it has serious flaws.

The Governor and Legislature should fix those flaws before the bill becomes law.

- Welfare is a failure.
 - It can't be fixed.
 - It can't be "reformed."
 - It can't even be "ended as we know it."
 - Welfare should be replaced altogether with a non-bureaucratic, work-based system that:
 - Helps all low-income adults;
 - Connects the poor who can work to private-sector jobs;
 - Offers community service jobs only to those who've tried in good faith, but haven't been able, to get a private-sector job;
 - Makes work pay;
 - Provides child care, based on ability to pay;
 - Provides health care, based on ability to pay.

- W2 is a good start towards replacing welfare because it:
 - Repeals AFDC in Wisconsin.
 - Offers work-based help to a larger number of low-income adults (not just unmarried, unemployed parents but married parents and employed parents).
 - Focuses on getting the unemployed connected to private-sector jobs.
 - Provides community service jobs as a fall-back...rather than giving people cash without requiring work.
 - Makes child care and health care available on a sliding scale.
- But W2 has several major flaws--flaws which the Governor and Legislature can and should fix:
 - 1) For one-half the poor--i.e., those who don't get private-sector jobs--it recreates a highly bureaucratic, welfare-like system:
 - Bureaucrats will continue to give these poor adults welfare grants;
 - Bureaucrats will then tell them they must "work off" their grants at community service jobs (same as today's "workfare");
 - Bureaucrats will get reports as to whether the poor worked;
 - Bureaucrats will then "sanction," i.e., cut the welfare grants of, the poor who don't "comply" (same as today's welfare system);
 - Bureaucrats will send out notices of their intent to impose "sanctions" and of the poor's right to appeal;
 - Bureaucrats will hold hearings and make final decisions.

SOLUTION: W2 should be amended to get rid of this bureaucratic reinvention of welfare. The poor who can't get private-sector jobs should simply be offered real jobs at the minimum wage, for limited time periods, performing useful work, under the supervision of local non-profit organizations. If they don't work, they don't get paid. That's the only "sanction" needed.

- 2) W2 also recreates the current bureaucratic welfare approach of picking which poor will be helped (custodial parents) and which poor won't be helped (all others). This:

- Creates a perverse incentive to trick the bureaucrats;
- Creates a perverse incentive to have babies in order to qualify as a parent;
- Is unfair to half the poor.

SOLUTION: W2 should be amended to get rid of this bureaucratic model of picking which poor to help and which poor not to help. W2 should offer work-based help to all the poor.

- 3) W2 (as noted in today's Journal Sentinel) penalizes the poor who work hard and earn higher wages by lowering their total income. The problem is that their child care and health care co-pays rise too rapidly.

SOLUTION: W2 should be amended to ensure that, as earnings rise, total income always rises (because child care and health care co-pays phase out more gradually). It appears as if Governor Thompson may be willing to support such an amendment, which is good.

- 4) W2's health care plan is so user unfriendly, and unrealistic about when the poor can afford private coverage, that it will increase the number of Wisconsin children and parents who have no health insurance.

SOLUTION: W2's health care plan should be amended to be user friendly and make health insurance easily available—based on ability to pay—to the extent that private coverage is not realistic.

THE NEW REPUBLIC FAX COVER SHEET

1220 19th Street NW, Washington, DC 20036. Phone: 202-331-7494. Fax: 202-331-0275.

DATE: 8/6/95

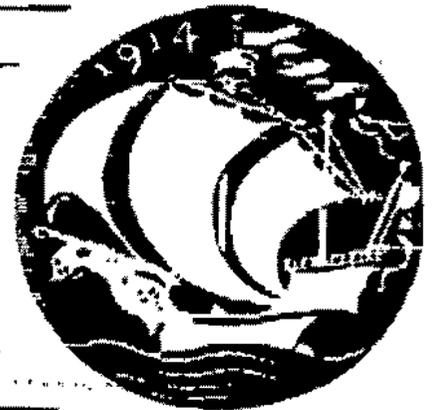
TIME: 11:00 PM

TO: BRUCE REED

FROM: MICKEY KAUS

PAGES TO FOLLOW: 2

NOTE: _____





THE NEW REPUBLIC

8/6/95

1220 19th St. NW
Washington, DC 20036
202-331-7474

WR Wise

Bruce:

Note the attached statement from Tommy Thompson's press secretary. I haven't checked it out -- maybe it's a misinterpretation of what he said. But if it isn't

a) doesn't it take some gall, since Thompson was the guy pushing block grants in the first place:

b) if Wisconsin, which presumably does OK under the block grant formula, doesn't have enough money to do what Thompson thinks is necessary regarding welfare, what about all the other states that get a lot less money per capita?

c) in general doesn't this make the Democrats' point that you need money to require work and the block grant formula isn't generous enough?

Cheers,

Mickey

Mickey

istance than a family needs.

Work and personal responsibility are the key to W-2," Thompson said, describing four levels of operation:

Capital Times, August 3, 1995

Unsubsidized employment; recipients will be paid by private employers.

Trial jobs, which could be partially subsidized.

Community service jobs, for individuals lacking job skills.

W-2 transition, for AFDC recipients unable to find work.

State Rep. Shirley Krug, D-Milwaukee, said the key question, however, is how much money the governor is willing to commit to the new plan. Without proper funding, it will fail, she warned in an interview.

Plans include transferring welfare administration from the Department of Health and Social Services to the revised Department of Industry, Labor and Job Development.

Although the program has been in the works for months, many details must be resolved before legislation is introduced after the Legislature reconvenes its 1995-96 session in September, Thompson aides said.

"There are still are a lot of unanswered questions," said Joseph Leean, secretary of the Department of Health and Social Services.

Capital Times, August 3, 1995

One of the big questions is what Congress might do with federal aid for state welfare programs, Leean said.

Thompson said Tuesday that if Congress' spending reductions leave too little money for state welfare programs, the Legislature might have to meet in special session to consider supplemental funding.

The decisions could affect the amount of money available for child care, Medicaid, transportation and job training.

Thompson press secretary Kevin Keane said Wisconsin would be unable to implement W-2 in full unless Congress provides enough money through block grants.

Congressional Republicans are considering block-grant payments to states as an alternative to traditional federal funding.

Replacing AFDC has challenged policy-makers for years, in part because the investment necessary for replacement might cost more than the traditional system.

what does mean

Leean himself would

Capital Times, August 3, 1995

The approximate cost of Wisconsin's welfare, health and job-training programs is estimated at \$ 998 million a year, Leean said.

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Hudson Institute

HUDSON INSTITUTE AND WELFARE REFORM IN WISCONSIN

ATTACHMENTS

- * Press release announcing Hudson Institute/Wisconsin Welfare project.
- * One-page description of Wisconsin welfare reform ("W-2"), prepared by Hudson Institute.
- * Text of Governor Thompson's speech announcing "W-2" program.
- * Milwaukee Journal article on speech.
- * Associated Press article on speech.

For further information please contact Peter J. Pitts, (317)549-4155.

Herman Kahn Center
P O Box 26 010, Indianapolis, Indiana 46226
317-549-1100 • FAX 317-549-9819

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Hudson Institute

HUDSON INSTITUTE BEGINS WELFARE REFORM PROJECT IN WISCONSIN

Contact Peter Pitts, (317) 545-1702

July 12, 1994, INDIANAPOLIS. Hudson Institute today announced a major privately funded research study on the future of welfare policy in Wisconsin. Hudson will work in conjunction with the welfare reform efforts currently under way in the state.

The Wisconsin legislature passed a "sunset" law in December 1993, mandating that welfare, as it currently exists in the state, end December 31, 1998 and that a new system be put in its place. A leading innovator in national welfare reform, Wisconsin will implement "Work not Welfare" (a two-years-and-out program), "LearnFare" (requiring children of welfare parents to stay in school), an aggressive child support program called "Children First," and has streamlined welfare-fraud enforcement.

During the next year and a half, Hudson project staff will study relevant social service data and welfare initiatives from across the country (as well as in Wisconsin), gather and analyze the information, and prepare a series of operational policy options for the state of Wisconsin to consider in replacing its current welfare system.

Hudson's project director will be Anna Kondratas, former Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development, and Executive Director of the National Commission on America's Urban Families. Other Hudson staff includes John C. Woicher, former HUD Assistant Secretary for Policy Development and Research, and Sally Kilgore, a senior researcher on education policy and Director of the Modern Red Schoolhouse project.

Herman Kahn Center
1111 Park 26 919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-0630

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"No state has ever undertaken the complete overhaul of its welfare system," said Wisconsin Secretary of Health & Social Services Gerald Whitburn. "We're delighted to have this opportunity to work with the Hudson Institute on this important effort."

The Hudson study is funded by the Lynde & Harry Bradley Foundation, the Charles Stewart Mott Foundation, and the Annie E. Casey Foundation. Other sources of private funding are pending.

Hudson Institute President Leslie Lenkowsky, a nationally recognized expert in social program reform, will take an active role in the development and field work stages of this project.

"We expect our work to yield two important results," said Dr. Lenkowsky, "recommendations for a new and better Wisconsin welfare system, and a detailed and operational plan for other states -- in the best Hudson tradition of research designed for a better future. It's an exciting project."

Founded in 1961 by the late Herman Kahn, Hudson Institute helps shape the future through research designed to anticipate the political, economic, and cultural trends critical to the success of U.S. public policy and business today and into the 21st century.

WR -
WTS CONSULTPREPARED BY HUDSON INSTITUTE**Wisconsin Works (W-2): Brief Description**

Wisconsin Works is a new system of public aid that fundamentally changes how government helps needy families and fights poverty. Completely replacing the state's current Aid to Families with Dependent Children (AFDC) program, W-2 focuses entirely upon helping parents establish their own means of support -- primarily through employment -- and maintain self-support. Key features include:

o Aid to Pursue Self-Sufficiency: Low-income parents of dependent children will be eligible to work with a W-2 Personal Planner, who helps parents design and stay with a self-sufficiency plan. Planners serve as case managers and service brokers, linking parents with various services helping them to obtain the highest level of earnings and outside support possible. Planners work with parents even after employed, helping them make the adjustment into stable workers and dependable supporters of their families. Non-custodial parents cooperating with child support are eligible for certain services and all paid child support will be passed through to the intended family.

o The Self-Sufficiency Ladder: Able-bodied parents will be offered employment and expected to work to support themselves, unless other sources of dependable support, such as child support, are secured. Fully subsidized Community Service Jobs, partially subsidized Trial Jobs (available with certain private employers), and unsubsidized employment will constitute a self-sufficiency ladder, allowing clients to enter employment at the level appropriate for them and develop skills and experience enabling them to move into unsubsidized employment. W-2 agencies will be located and integrated with local jobs centers that offer an array of employment-related services, training, and assistance.

o Child Care/Health Care: Subsidies for child care and health care will be made available to all low-income working families (not just W-2 eligibles) helping to eliminate critical work barriers for parents.

o When Parents are Not Able to Work: The permanently disabled would continue to be supported through the Federal SSI program, while those with temporary disabilities are assisted through W-2 contingent upon doing whatever is appropriate to become ready for work. Childbirth exclusion would be allowed similar to family leave law. Non-SSI eligible parents unable to succeed in the competitive job market on their own will be aided as necessary but required to contribute as they can to their own support.

o Service Delivery: W-2 service providers may include private, non-profit, and government agencies, and all will serve under competitive contracts and be rewarded for performance. W-2 standards will emphasize moving clients quickly into sustained, non-subsidized jobs generating high earnings. Local community organizations will be drawn upon to establish support network for W-2 parents and children.



TOMMY G. THOMPSON

Governor
State of Wisconsin

W2 Welfare Announcement
Racine, Wisconsin
August 3, 1995

Thank you, Jean (Jacobsen, Racine County Executive).

I'd like to thank Racine Mayor Jim Smith for his help in making this event possible ... also County Human Services Director Bill Adams. And I thank the legislators who are here today.

We are here today to celebrate an end ... and a beginning.

We are celebrating the end of a bad system ... and the beginning of a new era of hope and opportunity in Wisconsin.

Today, we are ending welfare in Wisconsin.

Thirty years ago, the federal government set out to free everybody from poverty ... and ended up creating a community of dependents instead. Freedom and dependency don't really go together.

Today in Wisconsin, we are setting out to free poor families from the net of welfare dependency ... and we are calling this declaration of independence "W2 -- Wisconsin Works."

W2 is a jobs program. There will be no more welfare offices ... there will be no more welfare checks ... there will be no more welfare families.

There will be job centers ... paychecks ... and working families.

There will be training ... health care ... child care ... and financial planning services.

There will be responsibility ... and hope ... and pride.

The day of the automatic welfare check is history ... and it's about time.

From 115 East State Capitol, P.O. Box 7803, Madison, Wisconsin 53707 • (608) 266-1212 • FAX (608) 267-8983

I have always thought that handing someone a check every month and asking for absolutely nothing in return is not public assistance ... it's public apathy. Here's your check ... see you next month.

W2 will prepare people to work ... it will prepare them for the future ... it will prepare them for a productive and independent life.

From now on in Wisconsin, you don't sign up for welfare ... you sign up for work. Recance for those who can work, only work should pay ... and everyone can do something.

There will be four different levels of work:

- First, of course, is a job ... a job in the private sector. This is our goal for every W2 participant.
- For people who have no work experience, there will be jobs where the state provides a small subsidy to an employer for training and trying-out a new employee. This will be limited to 6-9 months.
- Community service jobs will be available for those who need work experience in order to be hired by the private sector. These jobs will be limited to 9 months.
- And last is something we call "W2 Transition" ... reserved for those who legitimately are unable to perform self-sustaining work. In order to receive cash benefits, these people will work in activities consistent with their abilities.

W2 also differentiates between teenagers and adults. It is time to break the cycle of teenage pregnancy that has put so many women and children on the welfare rolls.

Under W2, Wisconsin will no longer treat teenagers as adults ... we will no longer allow a teenage mother to move out and set up house on her own.

Under W2 we are treating teenagers ... as teenagers. Teen mothers will live at home. For those who can't, they will have three living options: a foster home ... a group home ... or for some older teens, supervised independent living.

Work and family were the victims of the old welfare system. They are the standards for W2.

Today is the culmination of eight years of hard work here in Wisconsin.

We didn't wait to see what the other guy would do. We started welfare reform before most people were even talking about it.

And can you imagine if we had waited? Can you imagine if we had waited for the federal government to do something about welfare reform?

The federal government is finally poised to start reforming welfare.

Wisconsin is ending it.

I am so proud to be here today.

I am proud of the people who worked so hard to make welfare reform a reality in this state ... the people at DHSS ... in the county offices ... the lawmakers and social workers.

But most of all I am proud of the people who paved the way ... who proved to supporters and naysayers alike that welfare was wrong.

I am talking about the young mothers all over this state who proved to themselves -- and to all the rest of us -- what they were made of.

It is because of them that we are standing here today. And it is because of them that Wisconsin is leaving hopelessness behind ... and replacing it with work ... with self respect ... and a brighter future.

It's a great day in Wisconsin!

Q & A Responses

Clinton's new waiver proposal -- "a positive step ... but instead of ending welfare as we know it, he is merely tinkering with the federal bureaucratic process as we know it. I think we can do better."

Race to the bottom -- "Wisconsin today is setting a standard that will have states aiming for the top ... not rushing to the bottom."

Welfare**Plan shifts focus**
Under 'W-2' program

- All participants must work.
- Top priority: Help find full-time jobs with private employers.
- People unable to work at even community service will be required to engage in some work activity, such as in a sheltered workshop, for a certain number of hours per week.
- Teen mothers will be expected to live at home with their parents and will not receive assistance in setting up their own household.
- Child and health care are available with co-payments to low-income families.

Welfare plan puts all to work

Thompson's 'W-2' proposal makes no exceptions for disabled, untrained or parents of small children

By ANN HINARD
of the Journal Sentinel staff

Racine — Welfare recipients would have to work for

their checks under a revolutionary proposal announced Thursday by Gov. Tommy Thompson that would make Wisconsin the only state without a traditional welfare sys-

tem.

Dubbed "Wisconsin Works," or "W-2," the new program — to be implemented sometime in 1997 — would require every participant to do some kind of work for full-time private sector job-

Phase see WELFARE page 9

and state-subsidized trial jobs to community service work and participation in sheltered workshops.

There would be no exceptions. Not for parents of small children, not for those without education or job training, not for those with disabilities, not for drug addicts.

Critics of the plan, which would replace the Aid to Families With Dependent Children program, say that — especially in Milwaukee County — there may not be enough jobs to go around.

They also argue that participants' wages would be eaten up by co-payments which would be required for health and child care, and that the program may inadvertently encourage poor people to have children.

"This really is the end of welfare," said Michael Wiseman, a professor at the Robert M. La Follette Institute for Public Affairs of the University of Wisconsin-Madison. "This is a total reform."

The Legislature would have to approve the plan.

It is also dependent on what the Republican-dominated Congress does with federal aid for state welfare programs. Block grants would give Wisconsin the ability to implement W-2. Absent those grants, Thompson would have to request a waiver of current federal welfare regulations.

In a speech preceding a groundbreaking for the new \$14.9 million Racine County Service Center, Thompson predicted his W-2 plan would serve as a model for the nation.

"The day of the automatic welfare check is history," he told a crowd gathered in a small tent at the muddy construction site. "W-2 will prepare people for work, prepare for the future, prepare for a productive life."

Under the W-2 program:

■ The goal is to find every participant a full-time job with a private employer. Administration officials said they expected at least 40% of all program participants, and as perhaps as many as half of all people in the program, to find such jobs. These workers would also receive food stamps and extra income through the federal earned income tax credit.

the state Department of Industry, Labor and Human Relations — who would administer W-2 in a newly configured agency — said the state's strong economy and low state unemployment rate would help the program succeed.

■ Program participants whose job skills are not adequate to find jobs with private employers would be placed in full-time wage-subsidized jobs on a trial basis for six to nine months. These participants also would be eligible for food stamps and the federal tax credit.

■ Full-time community service work paying 75% of minimum wage would be assigned anyone who cannot find jobs or who cannot be placed in wage-subsidized jobs.

■ Those unable to work would be required to participate in some work activity, such as at a sheltered workshop, for an as-



Ament



Krug

signed number of hours each week. Administration officials said they expected the number of people falling into this category to be very small.

■ Eligibility would be limited to custodial parents with minor children whose family income is 225% of the federally defined poverty level or less. Non-custodial parents under child support orders and pregnant women are eligible for some services.

■ Small, no-interest "job access loans" would be available.

■ Health and child care would be provided, but participants would have to make co-payments on a sliding scale based on income.

■ Teenage mothers would be expected to live at home with their parents and would not receive assistance to set up their own households.

■ To administer the program, the state would be divided into small areas. Private for-profit and non-profit businesses could bid on contracts to manage the program in each area.

Thompson said the program changed the whole focus of welfare from entitlements and dependency to paychecks and self-sufficiency.

He acknowledged there would be start-up costs for the plan, but said it would eventually save the state money. He did not put a price tag on those costs.

Milwaukee Mayor John Norquist asked for comment called the plan "excellent" and said it "moves in the right direction."

"This plan is good for Milwaukee because it will raise incomes of city residents and help businesses that can't find workers," Norquist said.

However, he said, "I disagree with the proposal's requirement that participants have a child to get help. I hope this mistake and a few other problems are fixed."

Rep. Shirley Krug (D-Milwaukee) found fault with restricting the plan to custodial parents with minor children or non-custodial parents under child-support orders.

"The effect is perverse," she said. "It suggests that if you're an able-bodied person with no child and no job the way to support yourself, or at least get a community service job, is by fathering a child or by having one."

County Executive F. Thomas Ament said he supported the mandatory work requirement, but thought there would be "difficulty in providing a job for everyone."

Supervisor Richard D. Nykiewicz Jr., chairman of the County Board's Finance Committee, said he was concerned about disabled people who would lose their general assistance requirements.

Greenen Schmitt of the Journal Sentinel staff contributed to this story.

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Wisconsin Tinkers With Welfare

RACINE, Wis. (AP) — More than 71,000 welfare recipients will have to start working for their checks under the latest initiative unveiled by welfare reform experimenter Gov. Tommy G. Thompson.

The program Thompson proposed Thursday was criticized as incomplete, with the potential to leave thousands of families in poverty without medical insurance.

The goal is to end traditional welfare by forcing those on Aid to Families with Dependent Children to find jobs. The program would include subsidies to employers and provide job training, child care and financial counseling, though the details on those provisions are still sketchy.

It would make the disabled work to the best of their abilities and would require juvenile mothers to live with their parents or in foster care. Most people who receive AFDC are women.

"Today we are going to end welfare in Wisconsin. ... There will be no more welfare offices, no more welfare checks no more welfare families," the Republican governor told hundreds of people gathered at the muddy construction site of a job center in Racine.

Although the plan has been in the works for months, many details must be resolved when the Republican-dominated Legislature reconvenes in September, Thompson aides said.

No cost estimates were made, but the administration has said it expects the program will be more expensive than traditional welfare in the first year or two, with savings coming after more people are trained and permanently employed.

The target startup is 1997. A key question is what Washington might do with federal aid for state welfare programs.

The effort is the biggest yet by Thompson, who has made the state a testing ground for welfare reform with Earnfare, which reduces the AFDC available to parents whose children refuse to attend school, and Bridafare, which provides cash incentives for teen parents to marry but denies them additional AFDC for having more babies.

Wisconsin spends nearly \$1 billion a year on welfare, health and job-training programs. Skeptics wondered where adequate jobs would be found and cited the plan's lack of specifics.

"It talks about ensuring child care is available, medical care, job training," said Rep. Barbara Notestein, the ranking Democrat on the Assembly Welfare Reform Committee. "Once again, we all know there has never been enough money for child care. I don't know how they're going to address that."

The program, nicknamed W-2, ranks various categories of jobs:

- Private employment, expected to pay at least \$6 hourly.
- "Trial jobs," with employers subsidized to provide minimum-wage work to people without a work background. Participants are expected to move to unsubsidized employment within two years.
- Community service jobs for those who need to develop work habits and skills before qualifying for the "trial jobs" in private businesses. Participants are expected to get trial jobs within two years.
- Two-year W 2 transition reserved for those unable to get jobs, even in community service. To receive cash benefits, equal to 70 percent of the minimum wage, participants must engage in work activities consistent with capabilities. The category is targeted for people with mental and physical disabilities and would provide jobs through sheltered workshops and similar programs.

WISCONSIN PLEDGES TO EXIT U.S. SYSTEM OF PUBLIC WELFARE

STATE TO HAVE OWN POLICY

Plan Reflects Political Turmoil on Federal and State Levels

— Lawsuits Are Likely

By JASON DePARLE
Special to The New York Times

WASHINGTON, Dec. 13 — Wisconsin vowed today to withdraw from the Federal welfare program within five years and to replace the much-criticized system with an unspecified state plan for public relief.

The pledge, signed into law, is the first time a state has sought to drop the Federal welfare program since its inception during the Great Depression, and it reflects the political turmoil engulfing the welfare system around the country.

The law was signed after months of careful maneuvering by Gov. Tommy G. Thompson, a conservative Republican, and Democratic legislators, who pushed through the radical measure in part as a political dare, doubting the Governor would affix his name to it.

Praise for Measure

Mr. Thompson not only signed the law but also praised it, as did its main sponsor, Representative Antonio Riley, a black Democrat from Milwaukee who was reared on public aid.

"We think the best thing to do is to start over afresh, rather than tinker around the edges," Mr. Thompson said in a telephone interview.

About 5 million families nationwide, or 14 million people, rely on the Federal program, officially called Aid to Families with Dependent Children. That is a national record, and the increased costs and caseloads are driving the public's antipathy in many states.

Unhappiness With System

Wisconsin, where 243,000 of the state's five-million residents receive benefits, is one of the few states where caseloads have actually declined in recent years, falling off 10 percent since 1988. But there, as in most places, dissatisfaction with the welfare system remains deep. In seeking a complete revision of the program, the state is following a long history of social experimentation.

Mr. Thompson and Mr. Riley today both criticized the current welfare system as being anti-work and anti-family. Mr. Riley described the system as "a jailer of people."

But it was clear they had clashing ideas about what a better system might look like, and it is impossible to

Continued on Page B6, Column 5

Wisconsin Vows '99 Withdrawal From the Federal Welfare System

Continued From Page A1

know what kind of program might result.

Governor Thompson vetoed Democratic language that suggested a new system might give public service jobs to people who could not find employment on their own.

"'Make-work' is not the solution," Mr. Thompson said, arguing it would be better to give private businesses new financial incentives to hire the needy. But such efforts have generally not worked in the past.

Mr. Riley said, "I believe there has to be some sort of job creation," though he added that he would support a move to limit the time someone could hold a community-service job.

In order to get Federal money for its new system, the state must seek Federal approval of whatever program it devises. The Federal Government now pays 60 percent of the state's annual bill, which totals \$453 million, and Mr. Riley argued that the state could not afford to finance a substitute alone.

Legal advocates for the poor were already threatening to challenge the process in court. "The provisions they seek to get waived may be provisions that protect poor people," said Henry Freedman, director of the Center of Social Welfare Policy and Law, a New York group that provides advice to lawyers for the poor.

Both Democrats and Republicans in Wisconsin said they would work hard to devise a new system of public assistance. But it remains unclear what would happen if they failed to reach agreement by Jan. 1, 1999, when the current program is to expire.

The Wisconsin move comes as the Clinton Administration is also proposing a sweeping overhaul of the welfare

system, based on President Clinton's popular campaign pledge to "end welfare as we know it."

Mr. Clinton pledged to impose a two-year limit on cash assistance. After that, he has said, recipients would be required to work or face a reduction in their benefits. But he has not said where the jobs would come from or how the program would be financed.

A study group of Administration officials is now drafting a proposal, which may go to him for approval within the next few weeks.

The forces that created the Wisconsin legislation were set into motion this year, when Governor Thompson, capitalizing on President Clinton's proposals, came up with his own idea to impose time-limits.

He sought Federal approval for an experimental program for 1,000 people that would impose a two-year limit on benefits. But unlike the program President Clinton has proposed, Mr. Thompson's offers no community service positions for those who still cannot find work at the end of two years.

Administration officials did not like the plan, but they feared they would be cast as backtracking on the issue of time limits if they blocked it.

At the same time, Democratic legislators in Wisconsin accused Mr. Thompson of trying to grab headlines with a small experiment. So they attached Mr. Riley's bill to abolish the current program to the one that permitted his own proposal.

"Some members in our caucus just wanted to embarrass him," Mr. Riley said. "They wanted a headline that said, 'Governor vetoes Democratic plan to end welfare.'"

DO NOT FORGET THE NEEDIEST!

THE NEW YORK TIMES, TUESDAY, DECEMBER 14, 1993

Study Finds Rising Concentration Of Black and Hispanic Students

By WILLIAM CELIS 34

Despite three decades of costly and difficult efforts to integrate public schools, the number of black and Hispanic students attending schools that are "predominantly minority" is rising, a Harvard University study has found.

The study, released yesterday by the Harvard Project on School Desegregation, attributed the rise to higher birth rates and immigration rather than white flight to the suburbs. It also said poverty and housing patterns had concentrated black and Hispanic students in large cities.

The report defined predominantly minority schools as those with more than 50 percent of their enrollment made up of either black or Hispanic students, or both, but it did not specify the composition of those schools, which increasingly have mixed enrollments of black and Hispanic students.

Highest Levels Since '68

The report said that 66 percent of all black students, or 4.5 million of the total 6.9 million black students in the nation's public schools, attended predominantly minority schools in the 1991-92 school year, the highest level since the 76 percent reported by the Federal Government in 1968.

It also found that 74.3 of Hispanic students, or 3.7 million of the total 5 million students, attended predominantly minority schools, also the highest percentage in 25 years. Asians were not included in the report.

The report, conducted for the National School Boards Association, found that schools in the Northeast were the most racially separate of any region and that while the South remained the most integrated region, some of the efforts to integrate have slowed and are even being reversed by the same economic and population factors affecting the rest of the country.

"This report reflects what may be the beginning of a historic reversal," said Gary Orfield, a Harvard professor of education who has specialized in school desegregation. "The civil rights impulse from the 1960's is dead in the water and the ship is floating backward toward the shoals of racial segregation."

While educators and civil rights groups said yesterday that integrated classrooms were the ideal, they pointed to the quality of education as far more important today than a classroom's racial mix — that separate but equal education is possible, in spite of the Brown vs. the Board of Education case in which the Supreme Court ruled that a separate education is inherently unequal.

"At the present time, we are more concerned with the quality of education and this has to take precedence over whether schools are integrated," said Dr. Beverly P. Cole, director of education and housing for the National Association for the Advancement of Colored People. "Having said that," she added, "we still support desegregation efforts and busing is a means to that end."

Little Surprise

The study's findings did not surprise civil rights or desegregation experts, who said that they had seen through their casework mounting anecdotal evidence that black and Hispanic students were being clustered in some public schools. And demographic studies have predicted that within 30 years, half the nation's public schools will be

predominately black and Hispanic. But the groups emphasized that what was more crucial was well-financed schools with strong curriculums and well-trained teachers for all children.

In the 1991-92 school year, the period covered by the study, there were 42 million students enrolled in kindergarten through 12th grade. Of those, 16.4 percent, or 6.9 million students, were black, and 11.6 percent, or 5 million students, were Hispanic. White students accounted for 67.4 percent, or 28.3 million, of enrollment, while Asians represented 3.4 percent, or 1.4 million. American Indian or Alaska native accounted for 420,000, or 1 percent.

The study found that after decades of progress, schools in the South had rising concentrations of black students and those in the West had rising concentrations of Hispanic students.

The nation's largest cities have the highest concentrations of black and Hispanic students, and in large inner cities, "15 of every 16 African-American and Latino students are in schools where most of the students are non-white." In medium-size cities, the report said, "63 percent of African-American and 76 percent of Latinos attend such schools."

Poverty and Education

Making the link between poverty and minority concentration in schools, the report said that black and Hispanic students were much more likely than white students to find themselves in schools where achievement is lower. The educational system, the report said, thus perpetuates "the educational

inequality of minority students." It said that these deficiencies could not be sufficiently overcome by the Chapter 1 program, the huge \$6.1-billion-a-year Federal education program that helps students reach grade level in reading and math.

In New York, Washington and Los Angeles, the study said that civil leaders often assume racial and ethnic separation is worse in the South. But both black and Hispanic students face the most intense separation in North-eastern states, the study said.

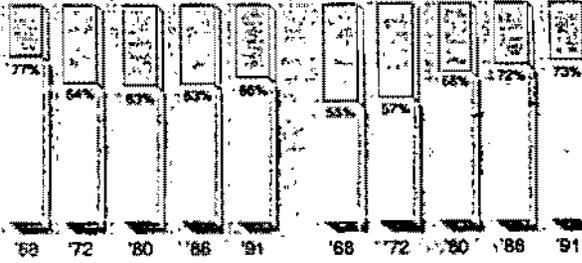
The study also found that the clustering of black and Hispanic students in some schools is not exclusively urban. The suburbs of the nation's largest cities "had 1.3 million blacks and 947,000 Latino students in 1991, but two-thirds of the Latinos and three-fifths of the blacks were in predominantly minority schools."

The NAACP Legal Defense and Education Fund, the Mexican American Legal Defense and Education Fund and the American Civil Liberties Union increasingly have filed lawsuits against school districts and states, using integration as a lever to raise the issue of disparities in wealth between rich, typically white, districts and poor, usually minority school systems. There are now 36 states involved in litigation over their method of financing public schools, and several state courts already have deemed that state finance formulas have helped create separate and unequal schools.



Assessing Schools and Diversity

After a dip, more black students are in predominantly minority schools. Hispanic students are mostly in predominantly minority schools.



Predominantly minority refers to schools in which 50-100% of the pupils are black, Asian, American Indian and/or Hispanic students.

The most segregated states for black students in 1991-1992. The most segregated states for Hispanic students in 1991-1992.

Percentage in schools that are 90-100% minority	Percentage in schools that are 80-100% minority
1. Illinois 59.3%	1. New York 58.1%
2. Michigan 58.5	2. New Jersey 44.4
3. New York 57.5	3. Texas 41.7
4. New Jersey 54.6	4. California 35.4
5. Pennsylvania 45.7	5. Illinois 33.7
6. Tennessee 37.3	6. Connecticut 33.7
7. Alabama 36.8	7. Florida 28.0
8. Maryland 36.7	8. Pennsylvania 27.4
9. Mississippi 36.0	9. Indiana 19.6
10. Connecticut 36.2	10. New Mexico 18.5
	11. Arizona 16.2

Source: Harvard University School of Education. The New York Times

Wisconsin to pull plug on welfare programs by '99

By Carol Innerst
THE WASHINGTON TIMES

Wisconsin Gov. Tommy G. Thompson signed a bill yesterday that will abolish Aid to Families With Dependent Children in his state in five years.

"We got a lot of people shook up," Mr. Thompson said yesterday. "Our game plan is to set up a task force to look at changes in light of changes nationally. . . . We want a work component, and we want it as pro-family as we can get it. The present system works against families.

"This will give Wisconsin an opportunity that no other state has had since the 1930s: not only a chance to

overhaul the welfare system from top to bottom, but a requirement to do just that," he said.

The federal government provides 60 percent of the approximately \$405.8 million AFDC program in the state, providing benefits to 78,000 people monthly. The state picks up the remaining 40 percent.

The governor said he will retain the food stamp program, which is funded totally by the federal government and provides assistance to elderly and the disabled as well as to AFDC recipients.

"It does not make sense at this point to end Wisconsin's participation in the food stamp program and put at risk the \$230 million in federal

funds that the program provides to Wisconsinites each year," he said.

Besides continuing to experiment with food stamps as part of his Work Not Welfare program, Mr. Thompson also elected to retain the general relief and Indian programs. Both are state programs.

Work Not Welfare is a reform program to be tested in two Wisconsin counties that will cut off AFDC payments after two years. It will begin in January 1995 and run for a decade.

General relief costs the state about \$80 million a year and Indian relief another \$10 million.

"He wants to abolish them but prefers to wait until the next budget

session to discuss alternatives within the state," said Mark Liedl, the governor's spokesman.

Ironically, Democrats, who have opposed his welfare reform efforts, gave the GOP governor the opportunity to end the dole in Wisconsin.

It was a case of the Democrats "outsmarting themselves" when they tried to "outflank" the governor by tacking an amendment to rescind welfare onto his Work Not Welfare bill, Mr. Liedl said.

Besides AFDC, the Democrats tried to get the governor to abolish a general relief program for indigents without dependents, Relief to Needy

Indian Persons and food stamps by Jan. 1, 1999. Mr. Thompson, who has line-item veto powers, chose to eliminate only the big, federally funded program. He also vetoed a Democratic amendment to guarantee jobs to displaced welfare recipients.

"The objective was to make things difficult for the governor," Mr. Liedl said. "But the Democrats have presented the governor with an opportunity to do something he's wanted to do for a long time — end the dependency on welfare."

Earlier, Assembly Majority Leader David Travis said: "We've got a consensus that AFDC doesn't work and that it fasters intergenerational

dependency. And the Democrats wanted to go further than the governor's itay-bitsy program that would apply to only 1,000 people in two counties. So we blew up the [welfare] system."

Carol Medaris, a staff lawyer for Legal Action, a group that provides legal services for the poor, said the governor and state legislators are "all trying to outdo each other in not caring for poor people."

The state has to come up with its alternative plan by 1995. Anything it does will require waivers from the federal government, which mandates the AFDC safety net in the states, according to the governor.

White House plays down triumph by Russian hard-liners

By Martin Scott
The Washington Post

The Russian administration yesterday tried to put the best face on what were disappointing news from Moscow: a strong showing by hard liners in parliamentary elections.

President Clinton, speaking at a news conference at Bryn Mawr, Pa., commented that Russian President Boris Yeltsin on the approval of a new constitution that the Russian parliament approved.

"I'm not particularly surprised by

the showing of the ultranationalist party because the Russian people have suffered a lot in the last few years," Mr. Clinton said.

"It's hard for people to go through these changes and not have a certain percentage of them vote for candidates who articulate their most fundamental concerns."

But privately, administration officials said they were surprised by the strong showing by Yeltsin's Zhirinovskiy and his ultra-nationalist Liberal Democratic Party.

Administration and intelligence

community sources said warnings of a dramatic hard-line victory were given to top Clinton officials by CIA and Defense Department analysts but were ignored.

George Katif of the National Intelligence Council and Graham Allison, assistant secretary of defense for international security policy, both sent strong warnings about the hard-line upsurge, but they were disregarded by policy makers, the sources said.

"They disregarded the warnings from the CIA," one intelligence source said. "They weren't prepared

for this."

Ambassador at large Strobe Talbott, who championed the moderate Russian policy of throwing all its weight behind Mr. Yeltsin and his reform allies, personally assured Mr. Clinton that the elections would produce a parliament dominated by reformers, administration sources said.

Russell on Mr. Talbott's assurances, the president was looking forward to addressing the Russian parliament personally when he visits Moscow in January, the source's said.

Mr. Clinton and Mr. Talbott both also believed that the election of a reform-dominated parliament would disarm critics that they had put all their bets on Mr. Yeltsin and neglected to cultivate other Russian leaders.

Mr. Clinton said yesterday that he plans "no change in my policy on general terms toward Russia."

Vice President Al Gore, the administration spokesman on foreign policy, and Mr. Talbott were shuttling between Kyrgyzstan and Kazakhstan when news of the election results surfaced.

Though they are due to visit Moscow later this week, the timing of their visit to Central Asia indicated that neither expected the election results to require more than routine encouragement.

State Department spokesman Mike McCurry put the best construction he could on the election results in his daily briefing.

"The most important part... is that the Russian people have exercised their democratic right to choose legislators and to approve a new constitution," Mr. McCurry said.

Kim Il-sung's brother returns to top post, but son still shines

By Michael Green
The Washington Post

SEXUAL — President Clinton and his North Korean counterpart, Kim Il-sung, have one thing in common: a brother who unexpectedly surfaced this year.

But while Mr. Clinton's brother was happy to give a few interviews and return to private obscurity, Mr. Kim's sibling has just been catapulted into a top political post as vice president.

The difference in the brothers' fortunes points to the importance of family obligations in northwestern Asia's Confucian culture. A power-

ful man is expected to share his power.

Mr. Kim has given about 40 of his family members prominent public posts, four of them positions on the 14-man Politburo.

The most important figure is his eldest son, Jong-il, who is the designated heir.

The re-emergence of the brother, Young-ju, after not being seen in public for 17 years, has electrified the community of North Korea-watchers because he was once seen as the most likely successor to his older brother, the 81-year-old self-proclaimed "Great Leader."

Analysts have speculated that

Kim Jong-il's star may be fading because he is leading the country into confrontation with the United States over North Korea's nuclear program.

North Korea is either using the program as a lever to gain diplomatic ties with Washington or to actually develop the bomb or, more likely, to achieve both.

The United States is adamant that North Korea allow international inspectors to check out the nuclear facilities.

Charming amid threats of economic sanctions and even military conflict, Kim Young-ju's return to the limelight is as sudden and mystifying as his

disappearance in 1974. Then a deputy prime minister, he attended a political meeting and never appeared in public again.

The curious episode was never explained but it has its roots in the long feud within Kim Il-sung's family over the succession.

"He was behaving as if he was the successor but got sidelined by Kim Jong-il," said a former acquaintance of both men.

The political demise had a curious psychosomatic effect, the source said. "The Kim Young-ju thought for several years that he was seriously ill. He was checked by several foreign doctors who finally realized

that he had some kind of obsession but was otherwise perfectly healthy."

Finally, in July of this year, he appeared in the VIP lineup in a ceremony to build a Korean War "victory tower." Last week he was appointed to the Politburo, the executive body of the all-powerful Korean Workers Party, and then elected as the third of three vice presidents.

Does the appointment mean the succession to Kim Jong-il is in jeopardy? Unlikely, said the former acquaintance. "Kim Il-sung could visit for 20 years ago that he himself thought his brother was a fit choice, but that he had to

give him a decent job."

Had others pointed out that the Politburo post and the vice presidency were more than just a good salary, "Kim Jong-il may be there as an insurance policy in case Kim Jong-il fails," says Alexander Zhebin, a former class correspondent in Pyongyang and now a visiting scholar at Seoul's Korea University.

Eon Ki-tak, a political scientist at Yonsei University, said the succession is entering its "critical and final" stage 20 years after Kim Jong-il was first identified as the heir. "Kim Il-sung is drawing on the older cadres to consolidate the succession process."

The Washington Times JOURNAL, THE EVENING, 14, 1991

WR-Wisc

Replacing Welfare with Work

Mayor John O. Norquist

City of Milwaukee

Public Policy Forum

Viewpoint Luncheon and Annual Meeting

January 24, 1996

Welcome

I'd like to thank the Public Policy Forum for inviting me to speak at its annual meeting.

Since 1913, the Public Policy Forum has educated Milwaukeeans about the challenges and choices facing our community.

I want to congratulate the Forum — for having the courage to speak truth to power.

You've made Milwaukee a better place.

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Fax #	202-456-5587	Fax #	414-226-3191		

Introduction

I'm going to talk today about Milwaukee's future.

I believe that we must meet several challenges if Milwaukee is to prosper.

Today I'd like to talk about three of those challenges:

- Reducing crime.**
- Improving public services while lowering taxes.**
- Ending welfare and replacing it with work.**

Reducing Crime

Reducing crime has been my highest priority as Mayor.

Since 1990, the Common Council and I have added 272 new police officers to the Milwaukee Police Department.

We've:

- **Created and expanded the Drug Abatement Program.**
- **Created the Robbery Task Force.**
- **Created the Gang Crimes/Intelligence Division.**
- **Expanded the Auto Theft Investigation Unit.**
- **Increased beat patrols.**
- **Assigned four Milwaukee police officers to the TABS program**
- **Provided our police officers with semi-automatic pistols.**
- **Installed a computer-driven dispatching system.**
- **And created Parole Watch...and now Parole Stop.**

Strengthening the hand of the Milwaukee Police Department to track down criminals has produced results.

Since 1990:

- **Homicides have gone down.**
- **Rape is down.**
- **Robberies are down.**
- **Burglaries are down.**
- **Auto thefts are down.**
- **And over 2,500 drug houses have been closed.**

But crime needs to go down more — a lot more.

That's why the Common Council agreed with me to add 10 police officers in the City's 1996 budget.

And that's why we've launched Parole Stop — to oppose the early release of every violent felon back to Milwaukee.

I will not be satisfied — and none of us will — until we have rolled back crime to much lower levels.

Milwaukee's future depends on it.

Taxes

Milwaukee's future also depends on our ability to maintain and improve essential public services while lowering spending — and cutting taxes.

I'm proud of the fact that, while I've been Mayor, we've held City spending below the rate of inflation.

And I've promised, if the people choose me again as their Mayor, to keep City spending below the rate of inflation.

I'm also proud that, while I've been Mayor, the City has lowered its tax rate for eight years in a row.

From \$13.09 per \$1,000 of assessed valuation to \$10.53 in the most recent budget.

Most Milwaukeeans recognize that they get good services from the City — police and fire protection, emergency medical care, snow plowing, garbage pick-up and many more.

And most Milwaukeeans paid less in taxes this year than the year before.

Those are two good trends: high-quality services, lower taxes.

But I am far from satisfied with the status quo. We need to keep improving services and lowering taxes.

Milwaukee's future depends on that as well.

Replacing Welfare with Work

The main issue I wanted to focus on today is welfare — and how to replace welfare with work.

Since 1990, I have called for eliminating welfare entirely and replacing it with a new system that requires able-bodied adults to work and helps connect them to private-sector jobs.

Welfare is a complete failure — a moral and economic failure; a failure of compassion, a failure of justice and a failure of common sense.

What good can one say about a system that gives adults money for not working and then makes them worse off if they do work? How can one even argue for a system that writes monthly checks to people on the condition that they have children — and not be married?

What rationale exists for a system that fails to help poor mothers get the jobs they want and need — while completely ignoring poor fathers, childless individuals, and other low-income adults?

Welfare is a failure.

It can't be fixed.

It cannot, and should not, be reformed.

It cannot, and should not, even be "ended as we know it."

The only solution is to end welfare — period. To end it altogether. And to start over — with a work-based system.

Since I was elected Mayor of Milwaukee, I have worked to end welfare and replace it with a new system based on work.

I helped to create new models demonstrating what a work-based system might look like in a world without welfare.

Most of you are familiar with the New Hope Project. I played a major role in launching the New Hope Project — bringing the concept to the GMC, helping to raise foundation and corporate contributions and working to secure state and federal funding.

New Hope helps able-bodied welfare recipients and other poor adults get private-sector jobs. As needed, it offers community service jobs, earning supplements, and child care and health care. And it's starting to show success, with more than 300 participants in full-time private-sector jobs.

Another model for a future without welfare is the Milwaukee Jobs Connection. Last year I initiated the Jobs Connection to demonstrate a new way to connect AFDC recipients to private-sector jobs. The Jobs Connection pays job brokers only when they place welfare recipients in jobs. This initiative is only weeks old but is already starting to put welfare recipients into jobs.

As Mayor I've also worked for changes in the foundation being developed for Wisconsin's new work-based system.

My administration played a major role in persuading the state legislature and Governor Thompson to create and expand the state's Earned Income Tax Credit. As a result, this state credit now rewards low-income people who work with earning supplements totaling almost \$50 million a year.

Of equal significance, in 1993, I worked hard to persuade state legislators and Governor Thompson to approve the bill that ends AFDC by a date certain and requires welfare to be replaced with a work-based system. The legislature passed the bill. Governor Thompson signed it into law. Some may have voted for that bill in order to embarrass the Governor. But I supported it because I believe that the sooner we end AFDC, the better. I congratulated the Governor for signing the bill. And I believe he's glad he did.

This year, Milwaukee stands on the doorstep of liberating its poor from the dark prison of welfare and helping them climb towards the sunshine of work.

I want to commend the hundreds of individuals — and especially Governor Thompson — for their leadership in bringing Milwaukee's and Wisconsin's poor to the threshold of a society without welfare — a work-oriented society.

W-2 is a good start.

It's not perfect — and I'll be talking in a moment about how to improve it.

But we must not forget how bold and sensible W-2 is for the most part — even as we work to identify its shortcomings and persuade Governor Thompson and the legislature to make it better.

W-2 will make Wisconsin America's first "welfare-free zone," one that replaces welfare with a rational and humane work-based system.

Why do I like W-2?

W-2 repeals AFDC in Wisconsin.

It offers work-based help to a far larger number of low-income adults than are now served by AFDC...not just unmarried parents, but married ones...not just unemployed parents, but those employed in low-wage jobs.

W-2 also focuses, correctly, on immediately connecting the unemployed to private-sector jobs and helping make child care and health care available.

But although W-2 is a giant step in the right direction, the legislation needs to be improved if Milwaukee — and all of Wisconsin — are to end up with the best possible work-based system.

Just as the future of Milwaukee depends on reducing crime and lowering taxes, the future of Milwaukee also depends on improving W-2 before it becomes law.

W-2 has four major areas where improvement is needed. I have urged Secretary Joe Lekan and Governor Thompson to alter the bill in each of these four areas.

I ask you to join me in calling on the Secretary and the Governor to make these changes.

First, W-2 recreates a system that is still highly bureaucratic, and too much like welfare, for those enrollees who don't get private-sector jobs and instead are put into community service jobs.

For these enrollees, local and state bureaucrats will be making as many as ten separate decisions about their lives and livelihoods.

This bureaucratic maze is not only unnecessary. It is counterproductive, trapping tens of thousands of W-2 participants in a web of bureaucratic processes when they should be out looking for work and improving their economic status. I don't believe that Governor Thompson really wants such a bureaucratic tangle built into his W-2 plan with its strong work orientation.

W-2 can easily be amended to simply offer these able-bodied participants jobs — a community service job, paying the minimum wage, for a limited time period.

If the W-2 participant works, the participant gets paid, qualifies for the Earned Income Tax Credit, and pays taxes.

If the W-2 participant fails to work, the participant doesn't get paid — that's the sanction, and it's the only sanction needed.

Ironically, unless the W-2 legislation is amended to free these W-2 participants from the bureaucratic welfare-like maze they now face and offer them jobs that pay the minimum wage, they won't get a W-2 form at tax time!

The second area where W-2 needs to be improved is its policy of causing workers who earn higher wages to end up with lower total incomes. As the Legislative Fiscal Bureau and several news accounts have correctly noted, there are many instances where W-2 participants earn more but end up with smaller incomes.

The problem is that, as their earnings rise, W-2 would increase what they pay for child care and health care even faster. The result: a decline in net income.

This problem, too, has a simple solution. W-2 should be amended to ensure that, as earnings rise, total income always rises.

The third area where the W-2 legislation needs to be improved involves which poor people will be helped. As currently drafted, W-2 unfortunately creates a bureaucratic approach under which only custodial parents are helped.

Again, the solution is simple. W-2 should be amended to extend W-2's full array of work-based help to all able-bodied low-income adults.

The fourth and final major area where W-2 needs to be improved is its health care plans. W-2's health care plan has two major problems:

First, it makes it very hard for participants to pay their monthly premiums.

Second, the W-2 health care coverage ends long before many participants will pick up coverage from private employers.

As a result, as now drafted, W-2 will leave tens of thousands of Milwaukeeans who now have Medicaid — and hundreds of thousands of Wisconsinites on Medicaid — without any health insurance.

That's unacceptable. W-2's health care plan should be amended so that it's easy for participants to pay their share of the premium. The plan should also be amended to pick a more reasonable point at which W-2's health care coverage ends.

Other Steps

While enacting an improved version of W-2 is essential to Milwaukee's future, I believe that another major step should also be taken — outside of W-2 — to connect Milwaukee's lower-income workers to the private job market.

We need to do a better job of helping new workers stay connected to the jobs they find. Recent research has pointed out that, for many low-income adults, the big problem is not finding a job — it's keeping the job.

One of the hurdles that low-income workers face in keeping jobs is work-related expenses.

For instance, some new workers need — but can't afford — a car. Other new workers need — but can't afford — special tools, special clothing, or necessary training.

I am announcing today a new initiative to solve some of these problems — a family loan program.

In developing this initiative, my administration has been working with Family Service America, the McKnight Foundation

of Minneapolis, Family Service of Milwaukee, the Private Industry Council, the State Department of Health and Social Services, and local foundations.

The Family Loan Program will help ex-AFDC recipients and other low-income adults borrow and repay the money they need to buy a car or meet other unexpected expenses related to keeping a job. I hope to announce more details of this new initiative in the coming weeks.

Conclusion

Reducing crime, improving essential city services while lowering taxes, and replacing welfare with a work-based system are the heart of my vision for Milwaukee.

They add up to a wealthier Milwaukee — a community where a robust private economy gives hard-working people the jobs and the income they need to live a good life and build a great city.

Here in Milwaukee — like nowhere else in America — we are on the verge of eliminating welfare and replacing it with work. We dare not fail to take this bold step. But we must also make sure that the new work-based system avoids crippling bureaucracy, includes all the poor who can work, offers participants real work at no less than the minimum wage, always rewards work effort, and provides low-income workers with adequate child care and health care. When work replaces welfare across Milwaukee on these terms, every citizen will be better off, every neighborhood will be healthier, and all of Milwaukee will have a brighter future.