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# Wisconsin Briefs

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## WISCONSIN WORKS (W-2): A BRIEF DESCRIPTION

### INTRODUCTION

Wisconsin Works, the state's newly enacted welfare plan, has recently been the focus of national attention as many states seek to reform existing AFDC programs. Eventually, all Wisconsin recipients of Aid to Families with Dependent Children (AFDC) will be affected by the revised plan if the federal government approves it. W-2, as the program has come to be known, was signed into law on April 25, 1996, as 1995 Wisconsin Act 289. Initial implementation may begin as early as July 1, 1996, for selected counties or groups, and full statewide implementation is projected by September 30, 1997.

W-2 ends the "entitlement" aspect of AFDC assistance. Participants will no longer be automatically granted cash payments and health care because they fit into certain categories and meet prescribed requirements. In general, their participation is limited to an overall total of 60 months, consecutive or nonconsecutive, and they will be expected to work in unsubsidized employment or in government-subsidized placements. Individuals who are incapacitated can be assigned to transitional placements suited to their abilities. Although W-2 services or benefits will depend on compliance with work requirements, W-2 participants have no guarantee that work will be available to them.

### THE ELEMENTS OF THE W-2 PROGRAM

Under the W-2 program, a participant's monthly cash benefit will depend on the type of placement and the number of hours worked during the month. Unlike AFDC, it will not be determined by family size.

**Eligibility for Employment.** In order to be eligible for W-2 employment, an individual must meet a number of requirements. The participant must be a custodial parent at least 18 years of age. He or she must be a U.S. citizen (or a qualifying alien) who has resided in Wisconsin for at least 60 consecutive days prior to application for W-2 and has demonstrated an intent to become a state resident. A parent who is receiving supplemental security income (SSI) may not participate in W-2 but is eligible for a monthly payment of \$77. W-2 participants must

cooperate fully in efforts to establish paternity and obtain child support for the dependent child. Unlike the current AFDC program, under W-2 child support is paid to the custodial parent and is not assigned to the state.

W-2 eligibility also depends on income and other financial resources. The ceiling for family income is set at 115% of the federal poverty level, which is determined at least annually by the Secretary of the U.S. Department of Health and Human Services. The preliminary 1995 poverty level for a family of four was \$15,570. Family assets may not exceed \$2,500, excluding family-owned vehicles (which cannot have an aggregate value of over \$10,000) and the family's residence.

Custodial parents under the age of 18 are not eligible for W-2 subsidized employment. Under current state law, this group may receive AFDC benefits temporarily, but AFDC payments are eliminated as of January 1, 1999, or six months after the statewide implementation date of W-2, whichever is earlier. The medical benefits currently provided to minor parents and their dependent children under Medical Assistance will be delivered through the Wisconsin Works Health Plan, which is described below, and the parent will be expected to pay a part of the premium. Child care benefits will be provided, but copayments will be required.

**W-2 Administration.** At the state level, the W-2 program will be administered by the Department of Industry, Labor and Job Development. (Note: the law permits the department to use the name "Department of Workforce Development" from July 1, 1996 to passage of the 1997-99 budget.) Initially, individual counties or tribes will act as the local W-2 agencies to administer benefits. If a local unit decides not to participate, the state will administer the program through other public or private agencies under contract with the state. Later, the state is authorized to enter into contracts with any party wishing to become a W-2 agency within whatever geographic areas the department determines.

**Types of Employment.** Participants in W-2 will be required to work in unsubsidized employment, including self-employment and entrepreneurial activities, or in placements subsidized by government. The law requires individuals in subsidized jobs to search for unsubsidized employment throughout their W-2 participation. Case workers, known as "financial and employment planners" under Act 289, will assist participants in finding qualified jobs.

There are three types of subsidized placements, also termed "W-2 employment positions":

- **Trial jobs.** These subsidized jobs provide on-the-job training and work experience for participants unable to obtain unsubsidized employment. Wages are established in a contract between the W-2 agency and the employer and must meet minimum wage requirements. Trial job employers will be paid a wage subsidy of up to \$300 per month for each W-2 worker employed. Employ-

ment in a particular trial job is limited to a 3-month maximum, although a 3-month extension may be permitted.

- **Community service jobs.** A community service job (CSJ) is subsidized employment designed to give participants work experience and training to assist them in moving into unsubsidized employment or a trial job. The law requires that service projects must serve a useful public purpose or that their costs be partially offset by project revenues. Participants receive a maximum monthly grant of \$555 for up to 30 hours of work and not more than 10 hours of classes or training per week, but the grant must be reduced by \$4.25 per hour for work or training missed without good cause. A particular CSJ placement is limited to a 6-month maximum, although a 3-month extension may be permitted.
- **Transitional placements.** Persons who are: incapacitated, needed at home because of the incapacity of a spouse or dependent child, or otherwise unable to perform a CSJ will be given subsidized transitional placements. These participants receive a maximum monthly grant of \$518 for up to 28 hours of assigned activities (including physical rehabilitation, counseling, alcohol and other drug abuse treatment) and not more than 12 hours of training and educational activities per week. The grant must be reduced by \$4.25 per hour for required activities missed without good cause.

Participation in any of the three subsidized categories generally is limited to 24 months per placement type, but case-by-case extensions are possible. Likewise, although overall participation in W-2 is limited to 60 months, consecutive or nonconsecutive, extensions are permitted. After the effective date of the act, participation in the federally subsidized Job Opportunities and Basic Skills (JOBS) program counts toward the 60-month limit.

W-2 participants may be eligible for child care, health care, food stamps, and educational and transportation assistance, whether or not they earn grants through W-2 employment positions. Those working in unsubsidized employment or trial jobs may be eligible to claim the federal and state earned income tax credit. The law provides that a W-2 custodial parent of a child 12 weeks old or younger can receive a \$555 monthly grant without having to participate in employment activities. It also creates job access loans to meet immediate and discrete financial crises encountered by W-2 participants who need the loans to obtain or continue employment.

**Employment Skills Advancement Program.** A W-2 parent who is working 40 hours a week in an unsubsidized job and has been employed for at least nine consecutive months may apply for a grant of up to \$500 for the direct costs of training or a vocational training or education program to improve his or her employment skills. The individual must contribute personal funds to match the grant and secure funding from community sources equal to the grant.

**Child Care.** The child care provisions of the W-2 plan will cover a broader range of low-income participants than the W-2 employment positions, including minor custodial parents and

certain families with income at or below 165% of the federal poverty level. However, assistance generally is available to a narrower group of individuals than under the previous low-income child care program. Under W-2, child care subsidies may be provided for children age 12 and younger, but all recipients are required to pay a portion of their child care costs, as determined by the Department of Health and Family Services (DHFS). Persons participating in training or educational programs generally will not receive child care subsidies, but exceptions are made for recipients under age 20 who are trying to complete a high school education.

The act revises regulation of child care providers by creating a second level of certified child care providers, who may be relatives. Level I covers existing providers who are certified by the county. Level II provides for “provisional certified family care”, certified by the county. Like Level I, Level II certification includes criminal background checks. Level II providers, who are not required to have training, will receive lower reimbursement rates than Level I providers under the W-2 child care program.

**Health Care.** Current AFDC-related and Healthy Start Medical Assistance programs will be replaced by the Wisconsin Works Health Plan. The new plan, which covers a broader range of low-income participants than the W-2 employment positions, will also include minor custodial parents, pregnant women with no dependent children, and certain families with income at or below 165% of the federal poverty level. The W-2 health plan does not cover all persons included in the current Medical Assistance program, and coverage is time-limited for many. All those covered by the health plan will be expected to make a monthly copayment, as determined by DHFS. Individuals are excluded from the plan if they are eligible for an employer-subsidized health care plan in which the employer pays 50% of the cost of coverage.

**Transportation Assistance.** To the extent funding is available, W-2 agencies may be reimbursed for providing public transportation for W-2 participants in connection with employment opportunities. The state, with the assistance of local governmental bodies, is to identify significant local and regional employment opportunities and determine where current and potential W-2 participants live.

**Kinship Care.** A relative who is providing custodial care and maintenance for a child may be eligible for kinship care payments of \$215 per month if certain conditions are met. The definition of a “kinship care relative” includes a stepparent, brother, sister, stepbrother, stepsister, first cousin, nephew, niece, aunt, uncle, or persons denoted by the prefix “grand”, “great”, or “great-great”. Counties must determine eligibility and decide whether the placement is in the best interest of the child. As W-2 is phased in to replace the AFDC income maintenance program, the counties will also have to decide whether caretakers currently receiving AFDC benefits should be considered kinship care relatives or included in the foster care program.

**Food Stamps.** Food stamps are available to W-2 participants, depending on income and family size. A family's food stamp benefit will not be affected by any sanction imposed because the W-2 participant in a CSJ or transitional placement missed work without good cause. Food stamp recipients between the ages of 18 and 60 who are not participants in a W-2 employment position will be required to participate in the food stamp employment and training program, unless they are enrolled at least half time in an educational institution or a training program.

**Sanctions.** A participant who refuses any component of W-2 employment three times will become ineligible to participate in that component. Participation in one of the other components would still be permitted. W-2 benefits can be permanently denied if it is determined by a court or through an administrative hearing that a participant has intentionally violated any W-2 provision on three separate occasions.

### **BACKGROUND OF THE W-2 LEGISLATION**

1993 Wisconsin Act 99 repealed Wisconsin's existing AFDC program, effective January 1, 1999, and required that the Secretary of the then Department of Health and Social Services present a plan for welfare reform to the 1995 Legislature during the first year of the biennial session (1995). The secretary appointed the Legislative Working Group on Welfare Reform, consisting of three senators (Senators Carol A. Buettner, George Petak and Gwendolynne S. Moore) and three representatives (Representatives John Gard, Barbara Notestein and Antonio S. Riley), to assist in developing the reform plan. The group conducted six public hearings between June 21 and September 20, 1994, to take testimony from various groups concerned with the problem. Following the public hearings, 1995 Assembly Bill 591 was introduced on October 2, 1995.

There appeared to be general agreement during the floor debate on AB-591 that the existing AFDC program failed to promote self-supporting employment and independence from government assistance. Many felt that certain elements, such as earned benefits, child care, employment assistance, health care, and a basic level of education for job skills, were necessary for a successful reform plan. However, concern arose as to whether the resources contained in W-2 fully addressed these needs. Questions were raised about children whose parents refuse to participate or are unable to cooperate with W-2 work requirements because placements are unavailable. Debate also focused on: 1) participants' ability to cover child care and health copayments; 2) the availability of qualified child care services; 3) the adequacy of training and education for work; and 4) the possibility that future cost increases would result in curtailment of the program. After extensive debate, AB-591 passed the assembly on March 7, 1996 (73 to 25), and the senate concurred on March 13, 1996 (27 to 6). The bill was signed

by Governor Tommy G. Thompson on April 25, 1996, with a number of partial vetoes and enacted as 1995 Wisconsin Act 289.

### CONCLUSION

Supporters of the W-2 program claim it is a bold social experiment that will eliminate dependency on welfare and encourage self sufficiency. Detractors characterize it as an effort to reduce the welfare rolls that may exact a high price from the poor and their children. Recent statistics indicate that in the last decade, the average monthly AFDC caseload has dropped from 97,841 in 1986-87 to 59,963 in April 1996 (the first time ever that the caseload has been below 60,000). Proponents and opponents agree W-2 will cause even more drastic cuts, but they argue about the effects on individuals.

The outcome of the Wisconsin experiment will be studied in detail by many, including the Legislative Audit Bureau, which is required by Act 289 to perform a financial and performance audit by July 1, 2000, covering the program's impact on wages paid to participants, the provision of child care services, and the utilization and cost of the program's health plan. Other than acknowledging that W-2 will initially cost more than the current AFDC program, Wisconsin cannot predict the results of its broad experiment, but it will be closely watched by both the federal and state governments as a possible model.