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WISCONSIN WORKS (W-2), AFDC AND TANF: COMPARISONS AND CONTRASTS IN WELFARE ASSISTANCE

I. INTRODUCTION

On September 1, 1997, Wisconsin drew national attention as it began statewide conversion to its innovative Wisconsin Works (W-2) program for welfare assistance. Transition to the program was completed March 31, 1998, ending the 62-year-old Aid to Families with Dependent Children (AFDC) program.

Four months after Wisconsin enacted W-2 on April 23, 1996, the U.S. Congress created a similar program, applicable to all the states, known as Temporary Assistance for Needy Families (TANF) block grants. TANF has revamped welfare nationwide. By funding assistance payments through block grants, rather than an open-ended entitlement program of federal/state matching funds, the federal government has limited its welfare expenditures.

This brief summarizes W-2, AFDC and TANF and illustrates the major changes initiated by W-2.

II. ELEMENTS OF THE W-2 PROGRAM

Major Differences Between AFDC and W-2. Under AFDC "entitlement" provisions, families were automatically granted cash payments if they met prescribed income categories, but W-2 participants must fulfill certain work requirements to receive benefits. W-2 carries no guarantee that work will be available. Whereas AFDC permitted recipients to receive assistance as long as they met program criteria, W-2 participation is limited to an overall total of 60 months (consecutive or nonconsecutive).

In the W-2 program, a participant's monthly cash benefit depends on the type of job and the number of hours worked during the month. Unlike AFDC, benefits are not determined by family size. In addition to cash benefits, W-2 participants are eligible for child care, the BadgerCare health plan, job-related training and transportation assistance, and food stamps. Those working in unsubsidized employment or trial jobs may be eligible to claim the federal and state earned income tax credit.

Eligibility for W-2. The W-2 participant must be a custodial parent who is at least 18 years of age. He or she must also 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, unless the person is a migrant worker. The individual cannot have refused a bona fide employment offer within the 180 days immediately preceding the application, and parents receiving Supplemental Security Income may not participate. W-2 recipients are required cooperate fully in efforts to establish paternity and obtain child support or any other payments or property due the individual or dependent children.

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 (FPL), as determined at least annually by the Secretary of the U.S. Department of Health and Human Services. The 1998 FPL is \$13,650 for a family of three and \$16,450 for a family of four. (Alaska and Hawaii are treated differently.) Family assets may not exceed \$2,500, but the family's residence and family-owned vehicles are excluded, provided the vehicles do not have an aggregate value of over \$10,000.

Types of Employment. Each W-2 applicant or participant is expected to conduct an ongoing search for unsubsidized employment, which may include self-employment and entrepreneurial activities. Individuals who are not successful in securing unsubsidized jobs will be required to work in W-2 placements that are government subsidized while they continue to search for unsubsidized employment. With certain exceptions, a W-2 custodial parent of a child 12 weeks old or younger can receive a \$673 monthly grant without having to participate in employment activities. Financial and employment planners (FEPs), the case workers employed by the local W-2 administrative agency, assist participants in finding qualified jobs.

There are three types of W-2 subsidized placements:

- **Trial jobs** provide on-the-job training and work experience. Wages are established in a contract between the W-2 agency and the employer and must meet minimum wage requirements. Trial job employers receive a wage subsidy of up to \$300 per month for each W-2 worker employed, and the amount is prorated for part-time work. An employer who receives a subsidy agrees to make a good faith effort to retain the employee in a permanent position after the trial period, but the employment of a W-2 worker cannot result in the displacement of a regular permanent worker. Employment in a particular trial job is limited to a 3-month maximum, although a 3-month extension may be permitted. Participants cannot be required to work more than 40 hours per week, and any training required for the job must be included in that limit.
- **Community service jobs (CSJ)** give participants work experience and training to help them move to a trial job or unsubsidized employment. CSJ participants receive a maximum monthly grant of

\$673 for up to 30 hours of work per week and a maximum of 10 hours of classes or training per week. The grant must be reduced by \$5.15 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. (The 1997-99 state budget created a temporary pilot project in Milwaukee to test wage-paying CSJs.)

- **Transitional placements** serve persons who are incapacitated, needed at home because of the incapacity of a spouse or dependent child, or otherwise unable to perform a CSJ. These participants receive a maximum monthly grant of \$628 for up to 28 hours of assigned activities (including physical rehabilitation, counseling, alcohol and other drug abuse treatment) and a maximum of 12 hours of training and educational activities per week. The grant must be reduced by \$5.15 per hour for required activities missed without good cause.

Participation in any of the three subsidized categories 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 may be permitted if there is a downturn in the local labor market.

Sanctions. A participant who refuses any component of W-2 employment three times becomes ineligible to participate in that component, but participation in one of the other components is still 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.

Transportation Assistance. As prescribed by the Department of Workforce Development (DWD), local agencies may provide transportation assistance to W-2 participants to help them meet their employment obligations. The 1997-99 state budget included \$3.6 million for the Job Ride program, which authorizes the state to reimburse local agencies for some of their expenditures on W-2 transportation.

Job Access Loans. A job access loan may be available to a W-2 participant who needs some type of immediate assistance to obtain or continue employment, such as repairing a car in order to get to work or buying a uniform required for the job. Loans are made at the discretion of the local W-2 agency, and it decides the method of repayment, which may be entirely in cash or a combination of cash and volunteer service. Repayment must occur in the shortest time possible (typically 12 months) and include the largest amount of cash the borrower can manage. Migrant workers are not eligible for such loans.

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 can apply for a grant of up to \$500 to cover the direct costs of a vocational

training or education program that will improve his or her employment skills. The individual must contribute personal funds to match the grant and also secure funding from community sources equal to the grant.

Kinship Care. A “kinship care relative” who is providing custodial care and maintenance for a dependent child may be eligible for care payments of \$215 per child per month. The county determines whether the placement is needed and in the best interest of the child and it reviews the placement annually. A kinship care relative may be a stepparent, brother, sister, stepbrother, stepsister, first cousin, nephew, niece, aunt, uncle, or a person denoted by the prefix “grand”, “great” or “great-great”. All residents or employees in the household must pass a criminal background check for arrests or convictions that could adversely affect the child or the kinship care relative’s ability to provide care. 1997 Wisconsin Act 105 amended the kinship care program to provide the category of “long-term kinship care relative” in cases where the relative becomes legal guardian and promises to continue care until the child reaches age 18 or is placed in another home. Provisions are similar, but the long-term arrangement adds more permanency

Health Care. BadgerCare, the new state health plan for low-income families, which was enacted in the 1997-99 state budget, covers W-2 participants and a broad range of low-income families. It includes minor custodial parents, pregnant women with no dependent children, and certain families with incomes at or below 185% of FPL. Some persons covered by the health plan may be expected to make a monthly co-payment, and individuals are excluded from the plan if they are eligible for an employer-subsidized health care plan in which the employer pays at least 50% of the cost of coverage.

Food Stamps. Food stamps are available to low-income persons as an uncapped, individual entitlement, determined by income and family size. A family’s food stamp benefit will not be decreased or increased when a W-2 participant is sanctioned for missing work.

Able-bodied recipients between the ages of 18 and 50 who do not have dependents are required to participate in the food stamp employment and training (FSET) program, unless they are enrolled at least half time in an educational institution or a training program. Those who are not engaged in work or work programs can receive food stamps for only three months in every 36-month period. States may disqualify individuals who are delinquent in their court-ordered child support or those custodial or non-custodial parents who do not cooperate with the child support program.

Child Care. A family applying for W-2 child care is eligible for subsidies for children under age 13 if its income is at or below 165% of FPL and it meets W-2 asset standards. Subsidies are phased out when a participant’s income reaches 200% of FPL. All recipients must pay a portion of care costs scaled to their income, family size and the type of care selected. Persons enrolled in educational programs generally will not receive W-2 child care subsidies, but exceptions are made for recipients under age 20 who are trying to complete a high school education.

Child Support. Beginning October 1, 1997, Wisconsin was given a federal waiver to allow most W-2 participants and persons still receiving AFDC benefits to receive all child support paid on their behalf without any change in W-2 benefits. Previously, AFDC recipients could retain the first \$50 of child support paid each month (or 41% of the total support paid, whichever was greater), and the remainder was paid to the government. The current waiver does require, however, that a control group of 4,000 continue under the old pass-through system to determine whether direct payment of child support to the families encourages better compliance with support orders.

If a custodial parent is a W-2 participant, the noncustodial parent who is under a child support court order (or in the process of having an order established) is eligible for job search assistance and case management. Custodial parents who refuse to cooperate with government efforts to secure child support without an approved good cause reason will be denied W-2 benefits.

W-2 Administration. At the state level, W-2 is administered by the DWD through the Division of Economic Support. Local administration initially is the responsibility of the individual counties, but they may opt not to participate. In those cases, the state may administer the program under contract with other public or private agencies. In nine counties private agencies have contracts with the state to administer W-2:

Forest, Kewaunee, Oneida and Vilas Counties – Forward Service Corporation

Juneau County – Western Wisconsin Private Industry Council, Inc.

Milwaukee County, Region 1 – YW-Works

Region 2 – United Migrant Opportunity Services, Inc.

Region 3 – Opportunities Industrialization Center of Greater Milwaukee, Inc.

Regions 4 and 5 – Employment Solutions, Inc.

Region 6 – MAXIMUS, Inc.

Shawano County – Shawano County Job Center, Inc.

Walworth County – Kaiser Group

Waukesha County – Curtis & Associates

Note: MAXIMUS, Inc., and Curtis & Associates are private, for-profit agencies; the others are private, not-for-profit groups.

Indian tribes may choose to participate in W-2 or to receive TANF grants directly from the federal government without complying with W-2 (state) regulations. If they receive direct TANF grants, they forego any state matching money. (Under W-2, the state portion added to the federal share almost doubles the recipient's benefits.) To date, the Stockbridge-Munsee, Mole Lake, Red Cliff and Potawatomi Tribes have opted out of W-2 and are operating directly under the TANF program. The Bad River, Lac du Flambeau and Oneida Tribes are administering their own programs under W-2, while the Ho Chunk, Menominee and Lac Courte Oreilles Tribes are participating in county-administered W-2 programs.

Each W-2 agency establishes a community steering committee (CSC), a public/private partnership that acts as liaison with the business sector in the local community.

The CSC identifies and encourages employers to provide trial jobs and community service jobs and advises the agency regarding employment and training activities.

Comparison of AFDC and W-2 Expenditures. As the following comparison of actual and estimated data illustrates, W-2 will be costlier than AFDC, but federal and state officials had predicted this. Supporters of W-2 justified the increased expenditures because, they assert, recipients would become self-supporting and not need continued assistance.

AFDC/W-2 Expenditures in Wisconsin Fiscal Years 1985-86 — 1998-99

Fiscal Year	Average Number of Recipients	Total Expenditures (In Millions)	Federal Expenditure		State Expenditure	
			Amount	Percent	Amount	Percent
1985-86	299,700	\$548.2	\$317.9	57.9%	\$230.3	42.1%
1986-87	295,500	537.2	313.7	58.4	223.5	41.6
1987-88	276,100	477.9	285.7	59.8	192.2	40.2
1988-89	250,400	420.4	253.5	60.1	166.8	39.9
1989-90	237,700	405.7	244.1	60.2	161.6	39.8
1990-91	238,700	402.5	241.8	60.1	160.7	39.9
1991-92	244,000	413.4	251.0	60.7	162.4	39.3
1992-93	238,600	402.0	244.7	60.9	157.2	39.1
1993-94	242,000	389.2	234.2	60.2	155.0	39.8
1994-95	230,600	356.8	213.5	59.8	143.3	40.2
1995-96	214,400	314.8	190.5	60.5	124.3	39.5
1996-97	184,200	268.9	159.1	59.2	109.8	40.8
1997-98* est.	100,400**	641.4	409.9	63.9	231.5	36.1
1998-99 est.	————	589.7	357.1	60.6	232.6	39.4

*Wisconsin Works (W-2) began operating on September 1, 1997, replacing AFDC.

**Number as of July 1, 1997.

Percentages calculated by the Wisconsin Legislative Reference Bureau.

Sources: Wisconsin Legislative Fiscal Bureau, Informational Paper #45, *Wisconsin Works: W-2*, Table 9, January 1997 and bureau data, November 1997; *1995-1996 Wisconsin Statutes*; U.S. Department of Health and Human Services, Administration for Children and Families, *Total AFDC/TANF Recipients by State*, November 17, 1997.

III. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

On August 22, 1996, President Bill Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) that terminated the AFDC public assistance program, which had been enacted by Congress in 1935 as part of the Social Security Act. This new legislation created Temporary Assistance for Needy Families (TANF) block grants and eliminated the Job Opportunities and Basic Skills Training (JOBS) program. As will be noted, some of the federal TANF restrictions are less stringent than W-2 requirements.

Federal funding for TANF grants nationwide is limited to \$16.4 billion annually through September 30, 2002, and Wisconsin's annual basic grant is \$318.2 million. To receive its full share of federal welfare funds (the block grant and related funds and incentives), each state was required to make a spending commitment equal to at least 75% of what it spent on AFDC and related programs. States are allowed to carry over block grant moneys from one fiscal year to the next, which permits them to establish "rainy day" reserves for economic downturns.

Supplemental Funding. Under TANF, supplementary grants will be provided for states with high population growth and/or low grant amounts per person. (The Congressional Research Service estimated Wisconsin would not be one of the 20 states affected by these factors.) A \$2 billion federal supplement is created for states experiencing an economic downturn. Other assistance is available to the states through a "rainy day revolving loan fund" and cash bonuses are given to states that meet TANF high performance goals.

Participation Restrictions and Work Requirements. An individual's participation in a TANF-assisted program is limited to 60 months (consecutive or not) but states can exempt up to 20% of their caseload from this time limit in certain hardship cases. States can impose a shorter time limit on benefits if they wish. States may deny assistance to additional children born to TANF recipients (family cap provision) or to children born to unwed parents under 18 years of age. However, an unmarried minor parent living with an adult and attending school may be eligible for aid.

Adults who receive TANF benefits must begin working after they have been given assistance for 24 months (consecutive or not). They are also required to perform community service within two months of receiving assistance if they are not working, but a state may opt out of the community service requirement. States may exempt the single custodial parent of a child under one year of age from TANF work requirements for a total of 12 months (consecutive or not).

Activities that may count toward the TANF work participation requirement include: unsubsidized employment; subsidized employment in the public or private sector and community service jobs; certain types of work experience and on-the-job training; job search and job readiness assistance; vocational training; job skills training or education related directly to employment; study leading to completion of a high school diploma or GED; or providing child care for an individual participating in a community service program.

The work requirement for single parents starts at a minimum of 20 hours per week in FY 1997 and increases to 30 hours by FY 2002. (States may allow a single parent with a child under six years of age to work 20 hours per week in any fiscal year.) Two-parent families are required to work 35 hours per week for FY 1997 and beyond. A teen parent who heads a household may fulfill the work requirement through satisfactory attendance at a secondary school or participation in education directly related to employment.

To be eligible for their full TANF block grants, each state must meet the federally determined annual work participation rates for TANF recipients as a statewide group. For single-parent families, the rates rise in 5% annual increments over the grant period from 25% to 50%. The work participation rates for two-parent families are calculated separately and must increase from 75% in FY 1997 and FY 1998 to 90% in FY 1999 and beyond.

Teen Parents and Reduction of Teenage Pregnancy. A custodial unmarried teenage parent under age 18 who is seeking TANF assistance and whose youngest child is at least 12 weeks old must attend classes aimed at securing a GED or a high school diploma or participate in a state-approved training program. The minor parent also must live in an approved adult-supervised setting.

The federal government requires that state TANF programs include provisions for reducing teen pregnancy, and it offers an annual "illegitimacy reduction bonus" of \$20 million per state per year, available in fiscal years 1999-2002, to the five states that report the greatest proportionate reduction of out-of-wedlock births without increased abortions. TANF money may be used for pre-pregnancy family planning services.

Child Care. A state may not reduce or terminate aid to a single parent with a child age six or younger if the parent can prove failure to participate in work is due to lack of child care. The federal government has consolidated its major child care programs into the existing Child Care Development Block Grant program, and grant funding for FY 1997 through FY 2002 is set at \$13.9 billion. This block grant can provide child care services to a range of low-income families, but the major portion of funding is earmarked for the TANF program.

Child Support Enforcement. A family seeking TANF assistance must assign its child support rights to the state. If adults are uncooperative without good cause in assisting a child support enforcement agency, the state must reduce cash assistance by at least 25% and may eliminate benefits completely. States have the authority to suspend driver's licenses, professional licenses, occupational licenses and recreational licenses of anyone who owes past-due child support. In addition, the grandparents of a dependent child who are the parents of a minor noncustodial parent may be held responsible for court-ordered support if the custodial parent is a TANF participant.

To receive their full TANF block grants, states must operate child support enforcement programs and assist any child, resident or nonresident, who is receiving TANF money or Medical Assistance. Each state must create a central case registry to track the status of all child support orders created or modified after October 1, 1998. This in-

formation is to be shared with other entities, such as a federal case registry. As another enforcement tool, states are also required to establish a “new hire” registry to which employers must submit the name, address and social security number of each new employe in order to assist authorities in retrieving overdue child support payments. (Wisconsin established such a registry in the 1997-99 state budget.)

Medical Assistance. There was no major revision of the federal Medical Assistance program, popularly known as “Medicaid”, but some changes occurred relative to TANF. States are required to continue to offer coverage for one year to welfare recipients who lose their benefits because of increased earnings. States must also continue coverage for those who would have been eligible for AFDC if that program were still in effect, even though they are not TANF participants. Assistance may be terminated for adults who fail to work, but minor children and pregnant women will continue to be covered.

IV. SUMMARY OF AFDC, W-2 AND TANF

The concluding table summarizes and contrasts the principal features of Wisconsin’s AFDC program and its W-2 successor. Important elements of the federal TANF law that vary from the Wisconsin program are noted.

COMPARISON OF W-2 ELEMENTS AND AFDC

	W-2 Program	AFDC Program
Eligibility – Non-financial Factors	Participant must be custodial parent at least age 18. Must be a U.S. citizen (or qualified legal alien) and a Wisconsin resident for at least 60 days. Must intend to become Wisconsin resident, unless a migrant worker. Must cooperate with child support agencies.	Limited to families with children in need of support because of absence, incapacitation, death or unemployment of primary wage earner. Two parent families and single pregnant women eligible under special circumstances. The applicant must be a U.S. citizen (or qualified legal alien).
Eligibility – Financial Factors	Family’s gross income may not exceed 115% of federal poverty level (FPL). Family assets not to exceed \$2,500 in equity, excluding vehicles totaling up to \$10,000 in value and one residence.	Multistep eligibility test: Family income generally not to exceed 185% of the AFDC Assistance Standard of Need (based on family size). Family assets not to exceed \$2,500 in equity, excluding vehicle with value up to \$1,500 and homestead property.

COMPARISON OF W-2 ELEMENTS AND AFDC-Continued

	W-2 Program	AFDC Program
Cash Benefits	Cash benefits linked to hours spent in unsubsidized job or W-2 subsidized placement. No adjustment for family size.	Entitlement program with cash benefit amount based on family size. Other family income counted against the family allowance.
Employment and Training	Individuals ready for employment are referred to unsubsidized employment or assigned to a trial job that combines employment training with work. Community Service Jobs (up to 30 hours of work and 10 hours of training) are available for individuals who cannot find unsubsidized or trial jobs. W-2 Transition activities (up to 28 hours of work and 12 hours of training) available for individuals unable to work. Single custodial parent of child 12 weeks or younger may be exempt. TANF: Recipients must find work after 24 months of assistance. Single custodial parent of child under 12 months of age may be exempted. Definitions of "engaged in work" (as regards hours and activities) vary over the fiscal years.	There were no statewide requirements for employment and training, but demonstration projects in selected counties required participation in preapproved employment or training activities.
Time Limits	Lifetime limit of 60 months, consecutive or not. In special circumstances, extensions are available. TANF: Same limits, but exemptions in a given fiscal year can equal 20% of state's average monthly family caseload.	AFDC did not impose time limits.
Health Care	TANF: Medical Assistance continues for W-2 participants as an entitlement program with eligibility based on Wisconsin's AFDC policies in effect as of July 16, 1996.	AFDC families automatically received Medical Assistance coverage, which was offered through HMOs. Families did not pay premiums, but some services required copayments.

COMPARISON OF W-2 ELEMENTS AND AFDC-Continued

	W-2 Program	AFDC Program
Child Care	<p>Available to all low-income families (at or below 165% of FPL) who need child care in order to work or participate in other education or training positions. Parents expected to share cost of child care expenses through a copayment to the child care provider.</p> <p>TANF: Child care is not an entitlement, but single parents with children under age six who cannot find child care would not be penalized for failure to work.</p>	<p>Child care was provided as an entitlement to AFDC recipients who utilized certified or licensed child care. Former recipients eligible for child care for one year after leaving AFDC.</p>
Child Support	<p>Under a demonstration study, beginning October 1, 1997, most W-2 participants could directly receive all child support collected on behalf of their children. A control group of approximately 4,000 continued to get only the pass-through.</p>	<p>Child support, including arrearages, was assigned to the state, except for the first \$50 collected each month or 41% of collection (whichever was greater), which was passed through to the custodial parent.</p>
Nonlegally Responsible Relatives and Guardians	<p>Kinship Care Program allows payment of \$215 per month per child for eligible nonlegally responsible relatives. "Long-term kinship care" category created for relatives who assume legal guardianship.</p>	<p>Caretakers could receive AFDC payments to provide care for minor dependent relative.</p>

V. FOR FURTHER INFORMATION

Contact the Department of Workforce Development, Division of Economic Support at (608) 266-3035 for further information on Wisconsin Works or check the department's Internet website at <http://www.dwd.state.wi.us>.